



2015

Annual Report

Dear PriceSmart Stockholders:

Fiscal year 2015 results reflect the continuing strong sales and profit performance of our Central America and Caribbean islands locations and our lower than expected sales and continuing losses in our Colombia market. The results in Colombia are due to weakness in the Colombia economy primarily caused by a major reduction in the Colombia peso currency value compared to the U.S. dollar.

For our fiscal year 2015 ended August 31, 2015, net warehouse sales were \$2.7 billion, an increase of 11% compared to the prior year. After tax net income for fiscal 2015 was \$89.1 million (\$2.95 per share) compared to after tax net income of \$92.9 million (\$3.07 per share) in fiscal year 2014.

In the first quarter of fiscal year 2015, our company opened three PriceSmart locations in Colombia bringing the total number of PriceSmarts in Colombia to six. In the fourth quarter of fiscal 2015, we opened our fifth location in Panama. With the November 2015 opening of our second location in Nicaragua, there are now 38 PriceSmarts operating in twelve countries and the U.S. Virgin Islands.

The sales and earnings challenges in Colombia have in no way diminished our confidence in the potential for our business in Colombia. To the contrary, the tough economic challenges in Colombia have provided an opportunity to source more products at better prices from Colombian suppliers, to strengthen our market position against our competitors by operating on lower margins on both local and imported products and to seek opportunities to secure more properties for future PriceSmart locations. We recently announced our seventh Colombia location, in the city of Chia to the north of Bogotá, opening in the fall of 2016.

We are extremely encouraged by the strong results from our locations in Central America and the Caribbean islands notwithstanding some social and financial concerns in a few of our countries. We continue to experience good membership and sales growth. In June 2015 we opened our fifth location in Panama in Costa Verde (La Chorrera) with better than expected results. We believe that there are opportunities to add PriceSmart locations in a number of our markets in Central America and the Caribbean islands. We are currently working to identify specific site locations.

Our positive results and the challenges we are facing offer a strategic perspective on the inherent strengths and future opportunities for PriceSmart. Our strengths include an experienced and highly skilled management team with proven success managing a complex business in developing countries. Another often overlooked strength is the size of our market area: over 100 million people with a combined GDP of approximately \$700 billion. A third strength is our membership base. We have nearly 1.5 million membership accounts and nearly 2.9 million members, mainly middle and high income families and businesses. A fourth strength is our logistical and operational efficiencies that enable us to move merchandise from our suppliers to our members more cost efficiently than our competitors. A final strength of our company is the real estate we own. Owning real estate enables us to expand buildings and add parking, to relocate locations, if necessary, and to capture the residual long term value of our properties.

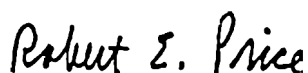
It is our intention to capitalize on these strengths in order to increase the long term growth prospects for our company by providing better values and a wider range of goods and services for our members, offering excellent wages, benefits, working conditions and opportunities for advancement to our employees and increasing financial returns for our stockholders.

I would like to conclude this letter by giving special recognition to our employees in Guatemala. A few months ago we experienced a fire in one of our Guatemala City locations. Fortunately, no one was injured but there was a good deal of smoke damage. We anticipated being closed for a few weeks. Our Guatemala employees provided a round the clock effort to get us back in business and, ten days after the fire, we were able to reopen. The dedication and sense of ownership in our business displayed by our Guatemala employees is characteristic of the devotion that our 7,500 employees in the US and offshore have for our business.

In addition to the positive impact PriceSmart has on the quality of life for our members and employees, we continue to work together with Aprender y Crecer, a partnership with Price Philanthropies Foundation. This year 60,000 school children in PriceSmart markets will receive their annual school supplies free of charge through the generosity of Price Philanthropies and nearly \$1 million of donations from PriceSmart members to Aprender y Crecer.

On behalf of myself, our CEO Jose Luis Laparte and our Board of Directors, best wishes for a wonderful holiday season and a healthy and happy New Year.

Sincerely,



Robert E. Price

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August 31, 2015

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PRICESMART, INC.

SELECTED FINANCIAL DATA

The selected consolidated financial data presented below is derived from the Company's consolidated financial statements and accompanying notes. This selected financial data should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the consolidated financial statements and accompanying notes thereto included elsewhere in this report.

	Years Ended August 31,				
	2015	2014	2013	2012	2011
	<i>(in thousands, except income (loss) per common share)</i>				
OPERATING RESULTS DATA:					
Net warehouse club sales	\$ 2,721,132	\$ 2,444,314	\$ 2,239,266	\$ 1,999,364	\$ 1,674,788
Export sales	33,279	31,279	23,059	15,320	8,831
Membership income	43,673	38,063	33,820	26,957	22,817
Other income	4,519	3,911	3,667	3,522	3,585
Total revenues	2,802,603	2,517,567	2,299,812	2,045,163	1,710,021
Total cost of goods sold	2,352,839	2,113,664	1,929,428	1,715,981	1,431,025
Total selling, general and administrative	297,656	262,420	240,924	220,639	189,032
Preopening expenses	3,737	3,331	1,525	617	1,408
Loss/(gain) on disposal of assets	2,005	1,445	889	312	(763)
Operating income	146,366	136,707	127,046	107,614	89,319
Total other income (expense)	(9,770)	(2,458)	(3,835)	(4,900)	37
Income from continuing operations before provision for income taxes, losses of unconsolidated affiliates and net income attributable to noncontrolling interests	136,596	134,249	123,211	102,714	89,356
Provision for income taxes	(47,566)	(41,372)	(38,942)	(35,053)	(27,468)
Income/(loss) of unconsolidated affiliates	94	9	(4)	(15)	(52)
Net income from continuing operations attributable to PriceSmart	89,124	92,886	84,265	67,646	61,836
Discontinued operations income (loss), net of tax	—	—	—	(25)	(86)
Net income attributable to PriceSmart	\$ 89,124	\$ 92,886	\$ 84,265	\$ 67,621	\$ 61,750
INCOME PER COMMON SHARE -BASIC:					
Income from continuing operations attributable to PriceSmart	\$ 2.95	\$ 3.07	\$ 2.78	\$ 2.24	\$ 2.07
Basic net income per common share attributable to PriceSmart	\$ 2.95	\$ 3.07	\$ 2.78	\$ 2.24	\$ 2.07
INCOME PER COMMON SHARE -DILUTED:					
Income from continuing operations attributable to PriceSmart	\$ 2.95	\$ 3.07	\$ 2.78	\$ 2.24	\$ 2.07
Diluted net income per common share attributable to PriceSmart	\$ 2.95	\$ 3.07	\$ 2.78	\$ 2.24	\$ 2.07
Weighted average common shares - basic	29,848	29,747	29,647	29,554	29,441
Weighted average common shares - diluted	29,855	29,757	29,657	29,566	29,450

PRICESMART, INC.

SELECTED FINANCIAL DATA- (Continued)

	As of August 31,				
	2015	2014	2013	2012	2011
	<i>(in thousands)</i>				
BALANCE SHEET DATA:					
Cash and cash equivalents	\$ 157,072	\$ 137,098	\$ 121,874	\$ 91,248	\$ 76,817
Restricted cash	\$ 1,525	\$ 29,366	\$ 40,759	\$ 37,746	\$ 23,866
Total assets	\$ 991,692	\$ 940,218	\$ 826,039	\$ 735,712	\$ 664,328
Long-term debt	\$ 90,534	\$ 91,439	\$ 73,020	\$ 78,659	\$ 68,222
Total PriceSmart stockholders' equity	\$ 566,584	\$ 548,265	\$ 481,049	\$ 418,914	\$ 375,838
Dividends paid on common stock ⁽¹⁾	\$ 21,126	\$ 21,144	\$ 18,133	\$ 18,120	\$ 17,934

⁽¹⁾ On February 4, 2015, January 23, 2014, November 27, 2012, January 25, 2012, and January 19, 2011, the Company declared cash dividends on its common stock.

PRICESMART, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This annual report on Form 10-K contains forward-looking statements concerning PriceSmart Inc.'s ("PriceSmart", the "Company" or "we") anticipated future revenues and earnings, adequacy of future cash flows, proposed warehouse club openings, the Company's performance relative to competitors and related matters. These forward-looking statements include, but are not limited to, statements containing the words "expect," "believe," "will," "may," "should," "project," "estimate," "anticipated," "scheduled," and like expressions, and the negative thereof. These statements are subject to risks and uncertainties that could cause actual results to differ materially, including the following risks: our financial performance is dependent on international operations, which exposes us to various risks; any failure by us to manage our widely dispersed operations could adversely affect our business; we face significant competition; future sales growth depends, in part, on our ability to successfully open new warehouse clubs and grow sales in our existing locations; we might not identify in a timely manner or effectively respond to changes in consumer preferences for merchandise, which could adversely affect our relationship with members, demand for our products and market share; although we have begun to offer limited online shopping to our members, our sales could be adversely affected if one or more major international online retailers were to enter our markets or if other competitors were to offer a superior online experience; our profitability is vulnerable to cost increases; we face difficulties in the shipment of and inherent risks in the importation of, merchandise to our warehouse clubs; we are exposed to weather and other natural disaster risks; general economic conditions could adversely impact our business in various respects; we are subject to risks associated with possible changes in our relationships with third parties with which we do business, as well as the performance of such third parties; we rely extensively on computer systems to process transactions, summarize results and manage our business, and failure to adequately maintain our systems and disruptions in our systems could harm our business and adversely affect our results of operations; we could be subject to additional tax liabilities; a few of our stockholders own approximately 27.8% of our voting stock as of August 31, 2014, which may make it difficult to complete some corporate transactions without their support and may impede a change in control; failure to attract and retain qualified employees, increases in wage and benefit costs, changes in laws and other labor issues could materially adversely affect our financial performance; we are subject to volatility in foreign currency exchange rates; we face the risk of exposure to product liability claims, a product recall and adverse publicity; Any failure to maintain the security of the information relating to our company, members, employees and vendors that we hold, whether as a result of cybersecurity attacks on our information systems, failure of internal controls, employee negligence or malfeasance or otherwise, could damage our reputation with members, employees, vendors and others, could cause us to incur substantial additional costs and to become subject to litigation and could materially adversely affect our operating results; we are subject to payment related risks; changes in accounting standards and assumptions, estimates and judgments by management related to complex accounting matters could significantly affect our financial condition and results of operations; we face increased public company compliance risks and compliance risks related to our international operations; if remediation costs or hazardous substance contamination levels at certain properties for which we maintain financial responsibility exceed management's current expectations, our financial condition and results of operations could be adversely impacted. The risks described above as well as the other risks detailed in the Company's U.S. Securities and Exchange Commission ("SEC") reports, including the Company's Annual Report on Form 10-K filed for the fiscal year ended August 31, 2015 filed on October 29, 2015 pursuant to the Securities Exchange Act of 1934, see "Part II - Item 1A - Risk Factors," could materially and adversely affect our business, financial condition and results of operations. These risks are not the only risks that the Company faces. The Company could also be affected by additional factors that apply to all companies operating globally and in the U.S., as well as other risks that are not presently known to the Company or that the Company currently considers to be immaterial.

Our business consists primarily of operating international membership shopping warehouse clubs similar to, but smaller in size than, warehouse clubs in the United States. Our ownership in all operating subsidiaries as of August 31, 2015 is 100%, and they are presented on a consolidated basis. The number of warehouse clubs in operation as of August 31, 2015 for each country or territory are as follows:

Country/Territory	Number of Warehouse Clubs in Operation as of August 31, 2014	Number of Warehouse Clubs in Operation as of August 31, 2015	Anticipated warehouse club openings in fiscal year 2016
Colombia	3	6	—
Panama	4	5	—
Costa Rica	6	6	—
Dominican Republic	3	3	—
Guatemala	3	3	—
El Salvador	2	2	—
Honduras	3	3	—
Trinidad	4	4	—
Aruba	1	1	—
Barbados	1	1	—
U.S. Virgin Islands	1	1	—
Jamaica	1	1	—
Nicaragua	1	1	1
Totals	33	37	1

In January 2014, we purchased land in Pereira, Colombia and in the city of Medellin, Colombia and leased land in the city of Bogota, Colombia. We built new warehouse clubs at these three sites, and opened the Bogota location in October 2014 and opened the other two Colombian sites in November 2014. Together with the three warehouse clubs that were operating prior to these openings in Colombia (one in Barranquilla and two in Cali), these three new clubs brought the number of PriceSmart warehouse clubs operating in Colombia to six. In September 2014, we acquired land in La Chorrera ("Costa Verde"), west of Panama City, Panama, on which we opened our fifth PriceSmart warehouse club in Panama in June 2015. In April 2015, we acquired land in Managua, Nicaragua. We are currently constructing a warehouse club on this site, and expect to open it in November 2015. During October 2013, we opened our sixth membership warehouse club in Costa Rica in La Union, Cartago, and in May 2014, we opened our third warehouse club in Honduras in Tegucigalpa, our second in the capital city.

Our warehouse clubs and local distribution centers are located in Latin America and the Caribbean, and our corporate headquarters, U.S. buying operations and regional distribution centers are located primarily in the United States. During the second quarter of fiscal year 2015, the Company created a new operating segment comprised of its Colombia Operations and separated the Colombia Operations from the Latin America Operations, renaming that segment Central America Operations. The Company has made this change as a result of the information that the Company's senior operating management regularly reviews for purposes of allocating resources and assessing performance and the growing level of investment and sales activity in Colombia. Therefore, beginning in the second quarter of fiscal year 2015, the Company has reported its financial performance based on these new segments and has retrospectively adopted this change for the disclosure of financial information presented by segment. The Company's operating segments are the United States, Central America, the Caribbean and Colombia.

General Market Factors

Our sales and profits vary from market to market depending on general economic factors, including foreign currency exchange rates; political and social conditions; local demographic characteristics, such as population and per capita gross domestic spending; the number of years PriceSmart has operated in particular markets; and the level of retail and wholesale competition in that market.

Our consolidated results of operations were significantly and adversely affected by events in Colombia during fiscal 2015, where a combination of a major decline in the value of the Colombian peso (COP) relative to the U.S. dollar, the fact that we were relatively new in the market, and the sophisticated level of competition resulted in our sales and profits not achieving the levels that we had anticipated. In contrast, our Central America and the Caribbean operations experienced good sales and profit growth from the year earlier period. Panama was particularly a strong market for us because of the high level of economic growth. Panama was where we opened our first PriceSmart warehouse and has a high degree of member loyalty. Costa Rica, our largest market in terms of sales, experienced slower sales growth in the first few months of fiscal year 2015 resulting largely from year over year changes in the Costa Rica colon to U.S. dollar exchange rate. Business results in the second half of the fiscal year in Costa Rica were good as the currency stabilized and economic conditions improved. In the three northern Central America countries, Guatemala, Honduras and El Salvador, where crime and violence have had a major impact on society, our business nevertheless has continued to do well. Overall the Caribbean experienced 4.6% growth in net warehouse club sales in the fiscal year with no new warehouse clubs added.

Our capture of retail and wholesale sales can vary from market to market due to competition and the availability of other retail options for the consumer. In larger, more developed countries, such as Costa Rica, Panama and Colombia, customers have many alternatives available to them to satisfy their shopping needs, and therefore, our market share is less than in other smaller countries, such as Jamaica and Nicaragua, where consumers have a limited number of shopping options.

Demographic characteristics within each of our markets can also affect both the overall level of sales and also future sales growth opportunities. Island countries such as Aruba, Barbados and the U.S. Virgin Islands have limited upside sales opportunity given their overall market size. Countries with a smaller upper and middle class consumer population, such as Honduras, El Salvador, Jamaica and Nicaragua, also have a more limited potential opportunity for sales growth as compared to more developed countries with a larger upper and middle class consumer population.

Political and other factors in each of our markets may have significant effects on our business. For example, when national elections are being held, the political situation can introduce uncertainty about how the leadership change may impact the economy and affect near-term consumer spending. In addition, if a major employer in a market reduces its work force, as has happened in the past in Aruba and Costa Rica, overall consumer spending can suffer.

Currency fluctuations, however, can be the largest variable in affecting our overall sales and profit performance, as we experienced in the most recent fiscal year and to some extent in fiscal year 2014, as many of our markets are susceptible to foreign currency exchange rate volatility. Currency exchange rate changes either increase or decrease the cost to our subsidiaries of imported products purchased in U.S. dollars and priced in local currency. In fiscal year 2015, approximately 79% of our net warehouse sales were in currencies other than the U.S. dollar. Of those sales, approximately 52% were comprised of products purchased in U.S. dollars.

Currency exchange rate fluctuations affect our consolidated sales and membership income as local-currency-denominated sales are translated to U.S. dollars. Also, we revalue on a monthly basis all U.S. dollar-denominated monetary assets and liabilities within our markets that do not use the U.S. dollar as their functional currency. These monetary assets and liabilities include, but are not limited to, excess cash permanently reinvested offshore, U.S. dollar-denominated long-term debt used to finance land acquisitions and the construction of warehouse clubs, and U.S. dollar-denominated accounts payable related to the purchase of merchandise.

We seek to minimize the impact of negative foreign exchange fluctuations on our results by utilizing from time to time one or more of the following strategies: (1) adjusting prices on goods acquired in U.S. dollars on a periodic basis to maintain our target margins after taking into account changes in exchange rates and our competition; (2) obtaining local currency loans from banks within certain markets where it is economical to do so and where management believes the risk of devaluation and the level of U.S. dollar denominated liabilities warrants this action; (3) reducing the time between the acquisition of product in U.S. dollars and the settlement of that purchase in local currency; (4) maintaining a balance between assets held in local currency and in U.S. dollars; and (5) entering into cross-currency interest rate swaps and forward currency derivatives. We have local-currency-denominated long-term loans in Honduras and Guatemala and have employed cross-currency interest rate swaps in Colombia, Costa Rica and Honduras and forward currency derivatives in Colombia and Costa Rica. We report the gains or losses associated with the revaluation of these monetary assets and liabilities on our Consolidated Statements of Income under the heading "Other

income (expense), net.” Future volatility regarding currencies could have a material impact on our operations in future periods; however, there is no way to accurately forecast the impact of the change in rates on our future demand for imported products, reported sales or financial results.

Business Strategy

Our business strategy is to offer for sale to businesses and families a limited number of stock keeping units (SKU's) covering a wide range of products at the lowest possible prices. We charge an annual membership fee to our customers. These fees, combined with warehouse and distribution operating efficiencies and volume purchasing, enable us to operate our business on lower merchandise margins than conventional retail stores and wholesale suppliers. The combination of annual membership fees, operating efficiencies and low margins enable us to offer our members high quality merchandise at very competitive prices which, in turn, enhances the value of the our membership.

Current and Future Operational Considerations

Generally, our operating efficiencies, earnings and cash flow improve as sales increase. Higher sales provide greater purchasing power that often translates into lower cost of merchandise from our suppliers and lower prices for our members. Higher sales, coupled with continuous efforts to improve efficiencies through our distribution network and within our warehouse clubs, also give us the opportunity to leverage our operating costs and reduce prices for our members. One important factor in operational efficiencies are the systems we have for moving merchandise from the supplier to the member. About 48% of the Company’s sales are derived from merchandise acquired in local markets or regionally, with 52% of the merchandise acquired internationally and received and shipped primarily from our Miami distribution centers, either directly to our warehouse clubs or to regional distribution centers primarily located in some of our larger markets. Our ability to efficiently receive, handle and distribute merchandise to the point where our members put that merchandise into their shopping carts has a significant impact on our level of operating expenses and ultimately how low we can price our merchandise. Our efforts are ongoing and unending to develop and improve upon the most cost effective ways to bring high quality merchandise from our suppliers to our members and to ensure we have the distribution and logistics capacities to support our growth.

We seek to grow sales by increasing transaction size and shopping frequency with our members by providing high quality, differentiated merchandise at a good value. We also grow sales by attracting new members to our existing warehouse clubs and improving the capability and capacity of our existing warehouse clubs to serve the growing membership base and level of sales in those locations. Finally, sales growth is also achieved when we add new warehouse clubs in those markets that can support that growth. Sales during the past fiscal year were positively impacted by the three new warehouse clubs that opened in Colombia in the fall of 2014 and another new warehouse club in Panama that opened in June 2015. These new locations all had good openings, despite the weakening of the Colombian peso. Comparable warehouse club sales increased 2.7% even with the negative effect of the significant devaluation of the Colombian peso. Although we recognize that opening new warehouse club locations in certain existing markets can have adverse short-term implications for comparable store growth, as the new warehouse club will often attract sales from existing locations, each decision to add a location in an existing markets is based on a long-term outlook. Overall, for fiscal year 2015, net warehouse sales increased 11.3%.

One of the distinguishing features of the warehouse club format is the role membership plays both in terms of pricing and member loyalty. Membership fees are considered a component of overall gross margin and therefore allow us to reduce merchandise prices. The number of member accounts grew 25.7% during the year and the renewal rate was 86%, up from 84% the year earlier. In most of our markets, the annual membership fee is the equivalent of \$35 U.S. dollars for both business members and non-business, “Diamond”, members. In Colombia, the membership fee has been 65,000 (COP) (including VAT) since our initial entrance into the Colombian market. The Colombian peso (COP) was trading at approximately 2,000 COP to \$1.00 US dollar at that time. More recently the Colombian peso has been trading above 3,000 COP to 1 U.S. dollar so that the converted membership price in U.S. dollars has gone from approximately \$30 to less than \$20. We have not raised the Colombian peso price of membership in Colombia because our business is new and we want to avoid decisions that could negatively impact member satisfaction. In addition to the standard warehouse club membership, we offer in Costa Rica what we call Platinum membership for \$75. A Platinum membership earns a 2% rebate on annual purchases up to a maximum of \$500 rebate per year. Since introducing Platinum membership two years ago, we have been evaluating its impact on our business and will soon make a decision as to whether or not to expand the program to other markets.

We offer on-line shopping options to our members. Members have the ability to purchase merchandise that is not stocked in their local warehouse clubs through our e-commerce website. These purchases are shipped from the U.S. distribution warehouse for pick-up at the member's local warehouse club location. In some of our markets, members can purchase in-club merchandise on-line from warehouse clubs located within the market and have it delivered to their home or office via a third-party delivery service. We have been expanding our offerings in these alternative shopping methods, and while the percentage of sales through these channels relative to our overall sales is small, we believe it is an important and growing way to serve our current members and attract new members.

Purchasing land and constructing warehouse clubs is our single largest capital investment. Securing land for warehouse club locations is challenging within our markets, especially in Colombia, because suitable sites at economically feasible prices are difficult to find. In April 2015, the Company acquired land in Managua, Nicaragua. We are currently constructing a warehouse club on this site, and expect to open it in November 2015. While our preference is to own rather than lease real estate, we have entered into real estate leases in certain cases (most recently our Bogota, Colombia site) and will likely do so in the future. Real estate ownership provides a number of advantages as compared to leasing, including lower operating expenses, flexibility to expand or otherwise enhance our buildings, long-term control over the use of the property and the residual value that the real estate may have in future years. In order to secure warehouse club locations, we occasionally have purchased more land than is actually needed for the warehouse club facility. To the extent that we acquire property in excess of what is needed for a particular warehouse club, we generally have looked to either sell or develop the excess property. Excess land at Alajuela (Costa Rica) and Brisas (Panama) is being developed by joint ventures formed by us and the sellers of the property. We are employing a similar development strategy for the excess land at the San Fernando, Trinidad and Arroyo Hondo, Dominican Republic locations where the properties are fully owned by us. The profitable sale or development of real estate is highly dependent on real estate market conditions.

With respect to the actions we are taking in response to the devaluation of the Colombia peso, we continue our efforts to minimize the price increases and resulting impact on demand on imported items by (1) seeking ways to further reduce costs throughout the supply chain; (2) reducing our mark-ups (margins) for these items; (3) expanding our use of local suppliers, particularly with regard to private-label branded product; and (4) continuing to offer value and merchandise differentiation to our members. Ensuring the long-term growth with the Colombia market is a key strategic priority; therefore, we are prepared to accept lower merchandise margins and profits in Colombia in order to solidify our market position for the future. We are encouraged by the fact that membership sign ups at our Colombia clubs continue to be strong and by the good growth in transactions and local currency denominated sales, and we have not changed our plans to expand our footprint in Colombia. However, future fluctuations in the exchange rate could have a material effect on business performance in Colombia and our Company.

Financial highlights for the fourth quarter of fiscal year 2015 included:

- Net warehouse club sales increased 13.0% over the comparable prior year period. We ended the quarter with 37 warehouse clubs compared to 33 warehouse clubs at the end of the fourth quarter of fiscal year 2014.
- Comparable warehouse club sales (that is, sales in the warehouse clubs that have been open for greater than 13 1/2 calendar months) for the 13 weeks ended August 30, 2015 grew 3.4%.
- Membership income for the fourth quarter of fiscal year 2015 increased 17.5% to \$11.5 million.
- Warehouse gross profits (net warehouse club sales less associated cost of goods sold) in the quarter increased 9.6% over the prior year period and warehouse gross profits as a percent of net warehouse club sales were 14.8%, a decrease of 46 basis points (0.46%) from the same period last year.
- Operating income for the fourth quarter of fiscal year 2015 was \$34.9 million, an increase of \$1.1 million over the fourth quarter of fiscal year 2014.
- We had a \$214,000 net gain from currency exchange transactions in the current quarter compared to a \$528,000 net loss from currency exchange transactions in the same period last year.
- Net income for the fourth quarter of fiscal year 2015 was \$22.4 million, or \$0.75 per diluted share, compared to \$21.9 million, or \$0.73 per diluted share, in the fourth quarter of fiscal year 2014.

Financial highlights for fiscal year 2015 included:

- Net warehouse club sales increased 11.3% to \$2.7 billion for fiscal year 2015 compared to fiscal year 2014.
- Comparable warehouse sales (that is, sales in warehouse clubs that have been open for greater than 13 1/2 calendar months) for the 52 weeks ended August 30, 2015 grew 2.7%.
- Membership income for fiscal year 2015 was \$43.7 million, an increase of 14.7% compared to fiscal year 2014. The number of membership accounts at year end was 1.5 million versus 1.2 million at the end of fiscal year 2014.
- Gross profits (net warehouse sales less associated cost of goods sold) increased 11.0%. Gross profits as a percent of net warehouse sales were 14.7% for the full year, a decrease of 4 basis points (0.04%) from fiscal year 2014.
- Selling, general and administrative expenses (not including pre-opening expenses and loss on the disposal of assets) as a percentage of net warehouse club sales was 10.9%, an increase of 20 basis points (0.20%) compared to fiscal year 2014.
- Operating income for fiscal year 2015 was \$146.4 million, an increase of 7.1% from the prior year.
- Foreign exchange transactions resulted in a net loss of \$4.4 million for the fiscal year 2015 compared to a net gain in fiscal year 2014 of \$984,000.
- Net income for fiscal year 2015 was \$89.1 million, or \$2.95 per diluted share, compared to \$92.9 million, or \$3.07 per diluted share, in the prior year.

Comparison of Fiscal Year 2015 to 2014 and Fiscal Year 2014 to 2013

The following discussion and analysis compares the results of operations for each of the three fiscal years ended August 31, 2015, 2014 and 2013 and should be read in conjunction with the consolidated financial statements and the accompanying notes included elsewhere in this report.

Certain percentages presented are calculated using actual results prior to rounding. Our fiscal year ends on August 31. Unless otherwise noted, all tables present dollar amounts in thousands.

Net Warehouse Club Sales

	Fiscal Years Ended August 31,					
	2015		2014		2013 ⁽¹⁾	
	Amount	% Change	Amount	% Change	Amount	
Net Warehouse Club Sales	\$ 2,721,132	11.3%	\$ 2,444,314	9.2%	\$ 2,239,266	

⁽¹⁾ We have made reclassifications to the net warehouse sales within the consolidated statements of income for fiscal years reported prior to 2013 to conform to the presentation in fiscal year 2013; see "Selected Financial Data" for further detail.

Comparison of 2015 to 2014

Net warehouse club sales for fiscal year 2015 were positively impacted by the addition of one new warehouse club in Honduras (opened in May 2014), three new warehouse clubs in Colombia (opened in October and November 2014) and one new warehouse club in Panama (opened in June 2015). Overall, Colombia accounted for approximately 45% of the dollar growth in net warehouse sales of the Company despite the negative impact of the year-on-year Colombian peso devaluation of approximately 60%. Net warehouse sales in Colombia grew 63% when measured in U.S. dollars but 106% when measured in local currency. Honduras and Panama, each with the addition of a warehouse club, were the strongest sales growth markets registering growth in excess of 13% in the fiscal year compared to last year. All countries experienced year on year positive sales growth. Net warehouse sales growth in fiscal year 2015 resulted from a 11.0% increase in transactions and a 0.3% increase in average ticket, which was impacted by local currency sales converted back to fewer U.S. dollars in most countries, with Colombia, Honduras, Jamaica, and the Dominican Republic having the biggest impact.

Comparison of 2014 to 2013

Net warehouse club sales grew in all countries in the fiscal year 2014 compared to fiscal year 2013, with the exception of Jamaica, which experienced a significant devaluation of its currency in fiscal year 2014 compared to fiscal year 2013 and challenges generally in its economy. The countries with the highest sales growth (recording double digit growth) were Colombia, Panama, Trinidad and Aruba. We recorded high single digit sales growth in Costa Rica despite the currency devaluation in the second half of the year, primarily as a result of our opening an additional warehouse club in October 2013. Sales growth in Colombia was positively impacted by the full annual effect in fiscal year 2014 of the third warehouse club which opened in May

2013. Total net warehouse club sales growth of 9.2% during fiscal year 2014 resulted from an 8.1% growth in transactions and a 1.0% growth in average ticket.

Comparable Sales

We report comparable warehouse club sales on a “same week” basis with 13 weeks in each quarter beginning on a Monday and ending on a Sunday. The periods are established at the beginning of the fiscal year to provide as close a match as possible to the calendar month and quarter that is used for financial reporting purposes. This approach equalizes the number of weekend days and weekdays in each period for improved sales comparison, as we experience higher warehouse club sales on the weekends. Further, each of the warehouse clubs used in the calculations was open for at least 13 1/2 calendar months before its results for the current period were compared with its results for the prior period. For example, the sales related to the warehouse club opened in Bogota, Colombia on October 29, 2014 will not be used in the calculation of comparable sales until January 2016. Sales related to the warehouse clubs opened in Pereira and Medellin, Colombia on November 13, 2014 and November 26, 2014, respectively, will not be used in the calculation of comparable sales until January and February 2016, respectively. Sales related to the warehouse club opened in Costa Verde, Panama on June 21, 2015 will not be used in the calculation of comparable sales until September 2016.

Comparison of 2015 to 2014

Comparable warehouse club sales increased 2.7% for the 52-week period ended August 31, 2015, compared to the same 52-week period last year. We opened a new warehouse club in Tegucigalpa, Honduras in May 2014 and another one in Panama in June 2015. These new warehouse clubs are attracting new members from areas not previously served by us. However, they are also creating the opportunity for some existing members, particularly those who shopped at our first Tegucigalpa, Honduras warehouse club and certain members who shopped in our Panama City locations, to shop at the new locations. These transfers of sales from existing warehouse clubs that are included in the calculation of comparable warehouse club sales, to new warehouse clubs that are not included in the calculation, have an adverse impact on comparable warehouse club sales. We have estimated the impact of this effect on reported comparable warehouse club sales in the past by excluding certain warehouse clubs from the calculation. However, as the number of clubs affected by these openings, particularly those in Panama City, has increased, we believe that calculation is becoming less meaningful. As a result, we have not made a specific determination of what the 52-week comparable warehouse club sales would have been had we not opened these new warehouse clubs. In addition, we believe that there has been some impact to our first three warehouse clubs in Colombia from the opening of the three new clubs in Colombia, particularly Bogota. However, given the far more significant impact of the currency devaluation on U.S. dollar reported sales in Colombia, it would be difficult to accurately determine the effect of the transfer of sales from the existing warehouse clubs to the new clubs.

Comparison of 2014 to 2013

Comparable warehouse club sales increased 4.8% for the 52-week period ended August 31, 2014 compared to the same 52-week period in the prior year. We opened two new warehouse clubs (one in La Cartago, Costa Rica in October and one in Tegucigalpa, Honduras in May). While these new warehouse clubs are attracting new members from areas of their respective cities who were not being served by us, it is also resulting in some existing members, particularly those that shopped at our Zapote warehouse club in Costa Rica and our first Tegucigalpa, Honduras warehouse club, choosing to shop at the new location. This transfer of sales from a warehouse club that is included in the calculation of comparable warehouse club sales to a warehouse club that is not included in the calculation had an adverse impact on comparable warehouse club sales. Similarly, although to a lesser extent, the opening of the Cali, Colombia (“Menga”) club in May 2013 has resulted in some existing members of the first warehouse club that opened in Cali (“Canas Gordas”) to shop now in Menga. We have not made a specific determination of what the comparable warehouse club sales would have been had we not opened those new warehouse clubs given various factors, such as whether previously existing members are now shopping more often given the greater convenience of these new clubs, which would make it difficult to provide an accurate assessment. However, if we exclude in their entirety the net warehouse sales of the two warehouse clubs most impacted (Zapote and Tegucigalpa) that are in the comparable warehouse club calculation but were negatively impacted by the openings of the new warehouse clubs, the remaining 29 warehouse clubs would have recorded comparable warehouse club growth of 6.8% for the 52 week period ending August 31, 2014.

Net Warehouse Club Sales by Segments

The following tables indicate the net warehouse club sales and the percentage growth in net warehouse club sales during fiscal years 2015, 2014 and 2013 in the segments in which we operate.

	Fiscal Years Ended August 31,					
	2015		2014		2013	
	Amount	% of net revenue	Amount	% of net revenue	Amount	% of net revenue
Central America	\$ 1,595,903	58.6%	\$ 1,477,001	60.4%	\$ 1,362,687	60.9%
Caribbean	809,280	29.7%	773,985	31.7%	724,055	32.3%
Colombia	315,949	11.6%	193,328	7.9%	152,524	6.8%
Net Warehouse Club Sales	\$ 2,721,132	100.0%	\$ 2,444,314	100.0%	\$ 2,239,266	100.0%

	Fiscal Years Ended August 31,			
	2015		2014	
	Year-over-year increase	% change	Year-over-year increase	% change
Central America	\$ 118,902	8.1%	\$ 114,314	8.4%
Caribbean	35,295	4.6%	49,930	6.9%
Colombia	122,621	63.4%	40,804	26.8%
Net Warehouse Club Sales	\$ 276,818	11.3%	\$ 205,048	9.2%

Comparison of 2015 to 2014

During the first quarter of fiscal year 2015, we opened three additional warehouse clubs in Colombia (Bogota, Pereira and Medellin) bringing the total warehouse clubs in Colombia to six, which increased sales in the Colombia segment. The effect of the devaluation of the Colombian peso on U.S. dollar warehouse sales in that segment was significant. For the fiscal year, net warehouse sales in local currency in Colombia grew 106%. We opened an additional warehouse club within our Central America Segment in La Chorrera ("Costa Verde"), west of Panama City, Panama, which is our fifth PriceSmart warehouse club in Panama, and fiscal year 2015 saw the full year effect of the warehouse club we opened in Tegucigalpa, Honduras in May 2014. The Caribbean segment had no new warehouse clubs in the comparable periods. Currency devaluations in the Dominican Republic and Jamaica impacted U.S. dollar denominated sales growth. Trinidad and Aruba experienced the strongest sales growth in that segment.

Comparison of 2014 to 2013

For the twelve months ended August 31, 2014 and 2013, the higher net warehouse club sales growth in Latin America compared to the Caribbean primarily reflects the sales associated with the additional warehouse club sales in Cali, Colombia, La Union, Costa Rica and Tegucigalpa, Honduras in the current periods compared to the prior period.

Net Warehouse Club Sales by Category

The following table indicates the approximate percentage of net sales accounted for by each major category of items sold us during the fiscal years ended August 31, 2015, 2014 and 2013.

	Fiscal Years Ended August 31,		
	2015	2014	2013
Sundries (including health and beauty aids, tobacco, alcoholic beverages, soft drinks, cleaning and paper products and pet supplies)	26%	26%	26%
Food (including candy, snack foods, dry and fresh foods)	54%	53%	53%
Hardlines (including major appliances, small appliances, electronics, hardware, office supplies, garden and patio, sporting goods, business machines and automotive supplies)	12%	12%	13%
Softlines (including apparel, domestics, cameras, jewelry, housewares, media, toys and home furnishings)	6%	7%	6%
Other (including one-hour photo and food court)	2%	2%	2%
	100%	100%	100%

Comparison of 2015 to 2014

There was a slight shift in the mix of major category sales between fiscal year 2015 and 2014, with a slight increase in food and a slight decrease in softlines compared to the other categories, with food's percentage of net sales increasing by 44 basis points (0.44%) and softlines' percentage of net sales decreasing by 19 basis points (0.19%).

Comparison of 2014 to 2013

There was a slight shift in the mix of major category sales between fiscal year 2014 and 2013, with lower sales growth in hardlines compared to the other categories, resulting in a 49 basis point (0.49%) reduction in percentage of net sales accounted for by that category, largely from slower sales in computers and small and major appliances.

Export Sales

	Fiscal Years Ended August 31,						
	2015			2014			2013
	Amount	Increase from prior year	% Change	Amount	Increase from prior year	% Change	Amount
Export sales	\$ 33,279	\$ 2,000	6.4%	\$ 31,279	\$ 8,220	35.6%	\$ 23,059

The increases in export sales in both years were due to increased direct sales to a single institutional customer (retailer) in the Philippines for which PriceSmart earns an approximately 5% margin.

Membership Income

	Fiscal Years Ended August 31,						
	2015			2014			2013
	Amount	Increase from prior year	% Change	Amount	Increase from prior year	% Change	Amount
Membership Income	\$ 43,673	\$ 5,610	14.7%	\$ 38,063	\$ 4,243	12.5%	\$ 33,820
Membership income % to net warehouse club sales	1.6%			1.6%			1.5%
Number of total accounts	1,486,185	303,830	25.7%	1,182,355	86,842	7.9%	1,095,513

Comparison of 2015 to 2014

Membership income is recognized ratably over the one-year life of the membership. The increase in membership income primarily reflects a growth in membership accounts during the last twelve months. The average number of member accounts during the fiscal year increased 19.4% compared to last year. The opening of the new warehouse clubs in Colombia accounted for over 71% of the total increase in member accounts from a year ago. We continue to experience membership growth in the three new Colombia warehouse clubs since they opened in October and November 2014. Similarly, we have experienced membership growth in Panama as a result of the additional warehouse club opened in that country. The income recognized per average member account decreased 3.9%, which reflects the effect of the impact of devaluation in Colombia on the translation of membership fees in local currency to U.S. dollars. In Colombia, the membership is priced in Colombian pesos (COP) and we have not raised the fee to offset the devaluation impact. At the August exchange rate, a membership in Colombia yielded approximately \$20.00 compared to approximately \$35.00 in most other countries. We ended the fiscal year with a renewal rate of 86% for the twelve-month period ended August 31, 2015.

Comparison of 2014 to 2013

Membership income grew 12.5% for the twelve months ended August 31, 2014 compared to same period in the prior year. The increase in membership income primarily reflects a growth in membership accounts during the year. The average number of member accounts during the year increased 10.8% compared to the average number of membership accounts in fiscal year 2013. The income recognized per member account increased 1.6%, which reflects the effect of the higher annual fee that went into effect in June 2012, offset by the impact of devaluation in Costa Rica and Colombia on the translation of membership fees in local currency to U.S. dollars. We ended the fiscal year with 1,182,355 membership accounts and a renewal rate of 84% for the 12-month period ended August 31, 2014.

Other Income

Other income consists of rental income, advertising revenue, and other miscellaneous revenue.

	Fiscal Years Ended August 31,						
	2015			2014			2013
	Amount	Increase from prior year	% Change	Amount	Increase from prior year	% Change	Amount
Other income	\$ 4,519	\$ 608	15.5%	\$ 3,911	\$ 244	6.7%	\$ 3,667

Comparison of 2015 to 2014

The increase in Other income for fiscal year 2015 compared to fiscal year 2014 resulted primarily from growth in rental income.

Comparison of 2014 to 2013

The increase in Other income for fiscal year 2014 compared to fiscal year 2013 resulted primarily from growth in rental income.

Gross Margin

Warehouse Sales Gross Profit and Gross Margin

	Fiscal Years Ended August 31,							
	2015			2014			2013	
	Amount	Increase from prior year	% to sales	Amount	Increase from prior year	% to sales	Amount	% to sales
Warehouse club sales	\$ 2,721,132	\$ 276,818	100.0%	\$ 2,444,314	\$ 205,048	100.0%	\$ 2,239,266	100.0%
Less associated cost of goods	2,321,074	237,141	85.3%	2,083,933	176,301	85.3%	1,907,632	85.2%
Warehouse gross profit	\$ 400,058	\$ 39,677	14.7%	\$ 360,381	\$ 28,747	14.7%	\$ 331,634	14.8%

Comparison of 2015 to 2014

For the twelve months ended August 31, 2015, warehouse gross profit margin as a percent of sales was 4 basis points (0.04%) lower than the twelve months ended August 31, 2014. In the first fiscal quarter we benefited from lower costs as a percent of sales in a number of areas, including lower merchandise distribution costs and reduced shrink. Vendor rebates and a higher level of product demonstration activity also contributed to the higher gross margin in the current period compared to the year earlier period. This was partially offset in the second and third fiscal quarters with lower margins in Colombia. In the fourth quarter of fiscal year 2015, warehouse gross profit margins were 14.8% of net warehouse sales, a decrease of 46 basis points (0.46%) from the fourth quarter of fiscal year 2014. We continue to operate with lower merchandise margins in Colombia which impacts the consolidated results. In the fourth quarter of fiscal year 2015, merchandise margins in Colombia were 282 basis points (2.82%) lower, compared to the fourth quarter of fiscal year 2014. For the full fiscal year 2015, merchandise margins in Colombia decreased 211 basis points (2.11%) from fiscal year 2014. Fiscal year 2015 margins excluding Colombia increased 30 basis points (0.30%) from fiscal year 2014.

Comparison of 2014 to 2013

For the twelve months ended August 31, 2014, warehouse gross profit margin as a percent of sales was 7 basis points lower than the twelve months ended August 31, 2013, with the higher margin percentage recorded in the third and fourth quarters of the current year offset by lower margin percentages in the first two quarters of the fiscal year compared to the same periods a year ago. In the fourth fiscal quarter, warehouse gross profit margins were 15.2% on net warehouse sales, an increase of 12 basis points from the year earlier quarter primarily reflecting low shrink and markdown activity and supplier rebates (largely volume related) that results in reduced cost of goods sold. We expect to take advantage of these rebates in the future by passing them through to reduce prices to our members resulting in lower gross profit margins.

Export Sales Gross Profit Margin

	Fiscal Years Ended August 31,							
	2015			2014			2013	
	Amount	Increase from prior year	% to sales	Amount	Increase from prior year	% to sales	Amount	% to sales
Export sales	\$ 33,279	\$ 2,000	100.0%	\$ 31,279	\$ 8,220	100.0%	\$ 23,059	100.0%
Less associated cost of goods sold	31,765	2,034	95.5%	29,731	7,935	95.1%	21,796	94.5%
Export sales gross profit margin	\$ 1,514	\$ (34)	4.5%	\$ 1,548	\$ 285	4.9%	\$ 1,263	5.5%

The increase in export sales gross margin dollars in each fiscal year was due to increased direct sales to an institutional customer (retailer) in the Philippines for which we generally earn lower margins than those obtained through our warehouse club sales.

Selling, General and Administrative Expenses

Warehouse Club Operations

	Fiscal Years Ended August 31,									
	2015				2014				2013	
	Amount	% to warehouse club sales	Increase from prior year	% Change	Amount	% to warehouse club sales	Increase from prior year	% Change	Amount	% to warehouse club sales
Warehouse club operations expense	\$ 241,285	8.9%	\$ 28,809	13.6%	\$ 212,476	8.7%	\$ 18,336	9.4%	\$ 194,140	8.7%

Comparison of 2015 to 2014

Warehouse club operations expense as a percent of net warehouse sales for the twelve months of fiscal year 2015 increased 18 basis points (0.18%) compared to the same period in fiscal 2014. The opening of the three new clubs in Colombia during the year, combined with the higher operating costs in Colombia (including the "Equity Tax" of \$850,000 recognized in the second fiscal quarter), was the primary contributor to the increase as a percent of net warehouse sales. Lower utility costs and other operating expense leverage resulted in a 9 basis point (0.09%) reduction in warehouse club expense as a percent of net warehouse sales excluding Colombia.

Comparison of 2014 to 2013

Warehouse club operations expense as a percent of net warehouse sales in fiscal year 2014 was essentially flat with fiscal year 2013 at 8.7%. The additional costs associated with the new warehouse clubs in Costa Rica (Tres Rios) and Honduras (El Sauce), which were not included in fiscal year 2013, contributed a higher level of operating expense compared to the incremental sales generated by these new warehouse clubs, outweighing the positive operating expense leverage recorded across the rest of the Company.

General and Administrative Expenses

	Fiscal Years Ended August 31,									
	2015				2014				2013	
	Amount	% to warehouse club sales	Increase from prior year	% Change	Amount	% to warehouse club sales	Increase from prior year	% Change	Amount	% to warehouse club sales
General and Administrative Expenses	\$ 56,371	2.1%	\$ 6,427	12.9%	\$ 49,944	2.0%	\$ 3,160	6.8%	\$ 46,784	2.1%

Comparison of 2015 to 2014

The expenses associated with our corporate and U.S. buying operations grew 12.9% during the fiscal year, compared to last year. Spending on Information Technology ("IT") initiatives and professional fees associated with increased compliance activities contributed to the increase during the year, as did additional staffing needs within our U.S. Buying Department (personnel involved in contracting and coordination of merchandise purchasing) and our IT departments, to support the growth of the Company.

Comparison of 2014 to 2013

The expenses associated with our corporate and U.S. buying operations grew 6.8% in fiscal year 2014, primarily resulting from increased headcount within our IT and U.S. buying departments required to support our growth. General and administrative expenses as a percentage of warehouse club sales decreased 5 basis points to 2.0% of sales.

Pre-Opening Expenses

Expenses incurred before a warehouse club is in operation are captured in pre-opening expenses.

	Fiscal Years Ended August 31,						
	2015			2014			2013
	Amount	Increase from prior year	% Change	Amount	Increase from prior year	% Change	Amount
Pre-opening expenses	\$ 3,737	\$ 406	12.2%	\$ 3,331	\$ 1,806	118.4%	\$ 1,525

Comparison of 2015 to 2014

The pre-opening expenses for fiscal year 2015 were for the three Colombia warehouse clubs (Bogota, Pereira and Medellin) and the Panama warehouse club. We opened the Bogota location in October 2014 and opened the other two Colombian sites in November 2014. Additionally, we opened the Panama, Costa Verde, warehouse club during the fourth quarter of the fiscal year. During fiscal year 2014, we recorded pre-opening expenses related to the La Union, Cartago, Costa Rica ("Tres Rios") warehouse club which opened in October 2013, the Tegucigalpa, Honduras ("El Sauce") warehouse club which opened in May 2014 and expenses (primarily related to the property lease) associated with the Bogota, Colombia warehouse club, which opened in October 2014. A new warehouse club is currently under construction in Managua, Nicaragua. Pre-opening expenses for that warehouse club will occur in the first quarter of fiscal year 2016.

Comparison of 2014 to 2013

For fiscal year 2014, we recorded pre-opening expenses related to the La Union, Cartago, Costa Rica ("Tres Rios") warehouse club which opened in October 2013, the Tegucigalpa, Honduras ("El Sauce") warehouse club which opened in May 2014 and expenses (primarily related to the property lease) associated with the Bogota, Colombia warehouse club, which opened in October 2014. For fiscal year 2013, we recorded pre-opening expenses related to the opening of the south Cali, Colombia ("Canas Gordas") warehouse club which opened in October 2012 and the north Cali, Colombia ("Menga") warehouse club which opened in May 2013.

Loss/(Gain) on Disposal of Assets

Asset disposal activity consisted mainly of normally scheduled asset replacement and upgrades.

	Fiscal Years Ended August 31,						
	2015			2014 ⁽¹⁾			2013 ⁽¹⁾
	Amount	Increase/ (decrease) from prior year	% Change	Amount	Increase/ (decrease) from prior year	% Change	Amount
Loss/(gain) on disposal of assets	\$ 2,005	560	38.8%	\$ 1,445	556	62.5%	\$ 889

⁽¹⁾ We have made reclassifications to the consolidated statement of income for fiscal years reported prior to 2014 to conform to the presentation in fiscal year 2014; see selected financial data for further detail.

Operating Income

	Fiscal Years Ended August 31,									
	2015				2014 ⁽¹⁾				2013 ⁽¹⁾	
	Amount	% to warehouse club sales	Increase/ (decrease) from prior year	% Change	Amount	% to warehouse club sales	Increase/ (decrease) from prior year	% Change	Amount	% to warehouse club sales
Operating income	\$ 146,366	5.4%	9,659	7.1%	\$ 136,707	5.6%	\$ 9,661	7.6%	\$ 127,046	5.7%

⁽¹⁾ We have made reclassifications to the consolidated statements of income for fiscal years reported prior to 2013 to conform to the presentation in fiscal year 2013; see "Selected Financial Data" for further detail.

Comparison of 2015 to 2014

Operating income increased by \$9.7 million compared to the prior year, resulting from higher sales and membership income. As a percentage of sales, operating income decreased 21 basis points (0.21%), primarily due to reduced merchandise margins and higher operating expenses in Colombia compared to the rest of the Company.

Comparison of 2014 to 2013

Operating income improved by \$9.7 million in fiscal year 2014 compared to the prior year, resulting from higher sales and membership income. As a percentage of sales, operating income was 5.6% compared to 5.7% in fiscal year 2013 primarily due to the reduction in warehouse margins as a percentage of sales and higher pre-opening expenses.

Interest Expense

	Fiscal Years Ended August 31,					
	2015		2014		2013	
	Amount	Change from prior year	Amount	Change from prior year	Amount	
Interest expense on loans	\$ 4,804	\$ 659	\$ 4,145	\$ 397	3,748	
Interest expense related to hedging activity	2,691	1,059	1,632	(189)	1,821	
Capitalized interest	(1,055)	427	(1,482)	(129)	(1,353)	
Net interest expense	\$ 6,440	\$ 2,145	\$ 4,295	\$ 79	\$ 4,216	

Comparison of 2015 to 2014

Net interest expense for the fiscal year 2015 increased from a year ago, with an increase in interest expense on loans and on interest expenses related to hedging activity and a decrease in the amount of capitalized interest compared with the same period in the prior year. These changes were mainly due to the net increases in loans outstanding, hedging activities related to new loan activity to support the increase in construction activities related to the three new warehouse clubs in Colombia, and a new warehouse club in Panama and Nicaragua.

Comparison of 2014 to 2013

Net interest expense for fiscal year 2014 remained flat from fiscal year 2013, with an increase in interest expense on loans offset by lower interest expenses related to hedging activity and an increase in the amount of capitalized interest compared with the same period in the prior year. These changes were mainly due to the net increases in loans outstanding, the settlement of a loan outstanding for which we also settled the hedged currency/interest rate swap, and the increase in construction activities related to the three new warehouse clubs that were being constructed in Colombia.

Other Income (Expense), net

Other income consists of currency gain or loss.

	Fiscal Years Ended August 31,						
	2015			2014		2013	
	Amount	Change	%	Amount	Change	%	Amount
		from	Change		from	Change	
	prior year		prior year				
Total other income (expense)	(4,388)	\$ (984)	(100.0)%	\$ 984	\$ 1,938	(203.1)%	\$ (954)

Monetary assets and liabilities denominated in currencies (primarily U.S. dollars) other than the functional currency of the respective entity are revalued to the functional currency using the exchange rate on the balance sheet date. These foreign exchange transaction gain (losses), including realized currency gains and (losses) on the payment or collection of these monetary assets and liabilities, are recorded as currency gain or losses.

Comparison of 2015 to 2014

For the twelve months ended August 31, 2015, we recorded a net currency loss of \$4.4 million resulting from activity associated with monetary assets and liabilities and the associated non-deliverable forwards that were in place to manage the impact of currency fluctuations, \$4.1 million of which related to Colombia during the first two quarters of the fiscal year. The impact of the 29% devaluation of the Colombian peso during that six-month period had a material impact on our consolidated results due to the high level of U.S. dollar denominated inter-company liabilities held by our Colombian subsidiary. These U.S. dollar denominated inter-company liabilities were greater than normal because of the impact of the subsidiary's initial acquisition of merchandise to stock the three new warehouse clubs opened in October and November 2014 and the investment in fixed assets for these same warehouse clubs. As the Colombian peso continued to devalue throughout the period, settlements of these liabilities resulted in realized currency losses. Any remaining liabilities at the end of the period were subject to revaluation at a higher exchange rate relative to the U.S. dollar. While a portion of this exposure was covered by non-deliverable forward contracts, there was a net negative impact to income related to the devaluation in Colombia in the first two quarters of the fiscal year. Other subsidiaries that had greater U.S. dollar denominated cash and cash equivalents (including restricted cash) than their U.S. dollar denominated liabilities did not experience similar depreciation in their markets and therefore did not counterbalance the impact of the depreciation in Colombia. In the most recent quarter, the Company recorded a net gain of \$214,000, with Colombia recording a net gain of \$411,000. Although we cannot predict future changes in exchange rates, we believe that we will be less susceptible to such negative fluctuations in future periods largely because the Colombia subsidiary's U.S. dollar denominated inter-company liabilities have been paid down to a normalized level.

Comparison of 2014 to 2013

For fiscal year 2014, we recorded a net currency gain of \$984,000 resulting from the revaluation of non-functional currency monetary assets and liabilities of our various subsidiaries, offset by the cost associated with non-deliverable forwards in Colombia to manage currency risk. The gain during the fiscal year primarily related to the net U.S. dollar asset position held by various of our subsidiaries at a time when their local currency devalued, thereby resulting in a revaluation gain.

Provision for Income Taxes

	Fiscal Years Ended August 31,					
	2015		2014		2013	
	Amount	Increase/ (decrease) from prior year	Amount	Increase/ (decrease) from prior year	Amount	
Current tax expense	\$ 44,594	\$ 3,553	\$ 41,041	\$ 4,773	\$ 36,268	
Net deferred tax provision (benefit)	\$ 2,972	\$ 2,641	\$ 331	\$ (2,343)	\$ 2,674	
Provision for income taxes	\$ 47,566	\$ 6,194	\$ 41,372	\$ 2,430	\$ 38,942	
Effective tax rate	34.8%		30.8%		31.6%	

Comparison of 2015 to 2014

The variance in the effective tax rate for the twelve-month period ended August 31, 2015 compared to the prior year was primarily attributable to the unfavorable impact of 3.4% resulting from an increased taxable loss incurred in the Company's Colombia subsidiary for which no tax benefit was recognized, net of adjustment to valuation allowance, and the non-recurrence of a favorable impact of 0.4% in the prior period from the tax effect of changes in foreign currency value.

Comparison of 2014 to 2013

The variance in the effective tax rate for the fiscal year 2014 compared to the prior year was primarily attributable to the favorable impact of 0.9% resulting from greater proportion of income falling into lower tax jurisdictions.

Other Comprehensive Income (Loss)

Comparison of the Twelve Months Ended August 31, 2015 and 2014

	Summary of Changes in Other Comprehensive Income (loss)						
	Fiscal Years Ended August 31,						
	2015			2014			2013
Amount	Change from prior year	% Change	Amount	Change from prior year	% Change	Amount	
Foreign currency translation adjustments	\$ (99,273)	\$ (48,863)	96.9 %	\$ (50,410)	\$ (8,089)	19.1 %	\$ (42,321)
Defined benefit pension plan	(113)	(226)	(200.0)%	113	265	(174.3)%	(152)
Derivative Instruments	(2,126)	(3,137)	(310.3)%	1,011	13	1.3 %	998
Total	<u>\$ (101,512)</u>	<u>\$ (52,226)</u>	<u>106.0 %</u>	<u>\$ (49,286)</u>	<u>\$ (7,811)</u>	<u>18.8 %</u>	<u>\$ (41,475)</u>

Other comprehensive income/(loss) for fiscal years 2015 and 2014 resulted primarily from foreign currency translation adjustments related to the assets and liabilities and the translation of the statement of income related to revenue, costs and expenses of our subsidiaries whose functional currency is not the U.S. dollar. When the functional currency in our international subsidiaries is the local currency and not U.S. dollars, the assets and liabilities of such subsidiaries are translated to U.S. dollars at the exchange rate on the balance sheet date, and revenue, costs and expenses are translated at average rates of exchange in effect during the period. The corresponding translation gains and losses are recorded as a component of accumulated other comprehensive income or loss. These adjustments will not affect net income until the sale or liquidation of the underlying investment. The reported other comprehensive income or loss reflects the unrealized increase or decrease in the value in U.S. dollars of the net assets of the subsidiaries as of the date of the balance sheet, which will vary from period to period as exchange rates fluctuate. During the periods reported, the largest translation adjustments were related to the translation of the Colombia subsidiary's balance sheet and statement of income.

Liquidity and Capital Resources

Financial Position and Cash Flow

We require cash to fund our operating expenses and working capital requirements, including the investment in merchandise inventories; acquisition of land and construction of new warehouse clubs; expansion of existing warehouse clubs and distribution centers; acquisitions of fixtures and equipment; routine upgrades and maintenance of fixtures and equipment within existing warehouse clubs; investments in joint ventures in Panama and Costa Rica to own and operate commercial retail centers located adjacent to the new warehouse clubs; the purchase of treasury stock upon the vesting of restricted stock awards; and payment of dividends to stockholders. Our primary source for funding these requirements are cash and cash equivalents on hand and cash generated from operations. We evaluate on a regular basis whether we may need to borrow additional funds to cover any shortfall in our ability to generate sufficient cash from operations to meet our operating and capital requirements. As such, we may enter into or obtain additional loans and/or credit facilities to provide additional liquidity when necessary.

The following table summarizes the cash and cash equivalents held by our foreign subsidiaries and domestically (in thousands). Repatriation of cash and cash equivalents held by foreign subsidiaries may require us to accrue and pay taxes. We have no plans at this time to repatriate cash through the payment of cash dividends by our foreign subsidiaries to PriceSmart, Inc. and, therefore, have not accrued taxes that would be due from repatriation.

	<u>August 31, 2015</u>	<u>August 31, 2014</u>
Cash and Cash Equivalents held by foreign subsidiaries	\$ 124,952	\$ 110,447
Cash and Cash Equivalents held domestically	32,120	26,651
Total Cash and Cash Equivalents	<u>\$ 157,072</u>	<u>\$ 137,098</u>

Our cash flows are summarized as follows (in thousands):

	Fiscal Years Ended		
	August 31,		
	<u>2015</u>	<u>2014</u>	<u>2013</u>
Net cash provided by (used in) continuing operating activities	\$ 110,503	\$ 137,275	\$ 130,633
Net cash provided by (used in) investing activities	(89,082)	(119,559)	(71,812)
Net cash provided by (used in) financing activities	9,965	1,872	(21,806)
Effect of exchange rates	(11,412)	(4,364)	(6,389)
Net increase (decrease) in cash and cash equivalents	<u>\$ 19,974</u>	<u>\$ 15,224</u>	<u>\$ 30,626</u>

Our operating activities provided cash for all periods presented as summarized below.

	Fiscal Years Ended August 31,			Increase/(Decrease)	
	2015	2014	2013	2015 to 2014	2014 to 2013
Net Income	\$ 89,124	\$ 92,886	\$ 84,265	\$ (3,762)	\$ 8,621
Adjustments to reconcile net income to net cash provided from operating activities:					
Depreciation and amortization	34,445	28,475	24,444	5,970	4,031
Loss /(Gain) on sale of assets	2,005	1,445	889	560	556
Deferred income taxes	2,972	2,362	3,049	610	(687)
Stock-based compensation expenses	4,763	4,962	4,966	(199)	(4)
Other non-cash operating activities	(94)	(9)	3	(85)	(12)
Proceeds from settlement of derivatives	8,543	—	—	8,543	—
Net non-cash related expenses	52,634	37,235	33,351	15,399	3,884
Net Income from operating activities reconciled for non-cash operating activities and Proceeds from settlement of derivatives	141,758	130,121	117,616	11,637	12,505
Changes in Operating Assets and Liabilities not including Merchandise Inventories	9,537	16,124	29,387	(6,587)	(13,263)
Changes in Merchandise Inventories	(40,792)	(8,970)	(16,370)	(31,822)	7,400
Net cash provided by (used in) operating activities	\$ 110,503	\$ 137,275	\$ 130,633	\$ (26,772)	\$ 6,642

Net income from operating activities reconciled for non-cash operating activities increased \$11.6 million for the twelve-months ended August 31, 2015 over the same period last year. This was primarily a result of a year-on-year increase in non-cash adjustments of approximately \$15.4 million that included proceeds received from the settlement of derivatives of approximately \$8.5 million, offset by an approximately \$3.8 million decrease in net income. The increase in non-cash adjustments was primarily driven by increases in depreciation expense for approximately \$6.0 million due to new warehouse club investment and the continued ongoing capital improvements to existing warehouse clubs. Proceeds from the settlement of derivatives were a result of the Company repayment of approximately \$24.0 million in loans, that were hedged. The investment in merchandise inventories net of vendor accounts payable of \$24.4 million reflects the additional merchandise associated with overall sales growth and the addition of three new warehouse clubs in Colombia, one new warehouse club in Panama and initial merchandise inventory flowing to the new Managua, Nicaragua warehouse club, scheduled to open in November 2015.

Net income from operating activities reconciled for non-cash operating activities increased \$12.5 million in fiscal year 2014 over fiscal year 2013 primarily as a result of higher sales, gross profits and membership income growth. Change in operating assets and liabilities not including merchandise inventories generated additional cash from operating activities. This was primarily a result of the increase in trade accounts payable for approximately \$27.8 million arising from the increase in inventory purchases related to the addition of two warehouse clubs in fiscal year 2014, increases in inventory to support projected increases in sales and the increased leveraging on vendor payment terms. Additional increases in deferred rent and deferred membership income contributed an additional \$2.5 million change from operating assets and liabilities not including merchandise inventories. These contributions were offset by \$14.2 million of increases in prepaid taxes, value added taxes receivable, other long term income taxes receivable, and trade accounts receivable (related to export sales).

Our use of cash in investing activities for the period presented is summarized below:

	Fiscal Years Ended August 31,			Increase/(Decrease)	
	2015	2014	2013	2015 to 2014	2014 to 2013
Land acquisitions	\$ 16,780	\$ 22,090	\$ 12,794	\$ (5,310)	\$ 9,296
Warehouse club expansion, construction, and land improvements	45,414	53,516	37,855	(8,102)	15,661
Acquisition of fixtures and equipment	26,991	42,495	19,278	(15,504)	23,217
Increase in capital contributions to joint ventures	1,360	750	550	610	200
Deposits for land purchase option	(1,095)	850	1,599	(1,945)	(749)
Proceeds from disposals of property and equipment	(368)	(142)	(264)	(226)	122
Net cash flows (provided by) used in investing activities	<u>\$ 89,082</u>	<u>\$ 119,559</u>	<u>\$ 71,812</u>	<u>\$ (30,477)</u>	<u>\$ 47,747</u>

Net cash used in investing activities decreased in fiscal year 2015 compared to fiscal year 2014 by approximately \$30.5 million primarily due to a decrease in cash expended for the purchases of fixtures and equipment, warehouse club construction and purchases of land compared to a year ago. During fiscal year 2014, we purchased land and began the construction of warehouse clubs in Pereira, Colombia and in the city of Medellin, Colombia. Also during fiscal year 2014 we leased land in Bogota, Colombia for which we also began construction of a warehouse club on that site. During fiscal year 2015, we acquired one new site in Panama City, Panama ("La Chorrera", Costa Verde). Construction for the Colombia and Panama warehouses was completed during fiscal year 2015. During fiscal year 2015 we purchased land in Managua, Nicaragua and are currently constructing a warehouse club on that site which is expected to be completed and opened in November 2015. We also acquired beneficial rights to land in the municipality of Chia, Colombia, which is a northern suburb of Bogota, in May 2015. We announced on October 26, 2015 that we had received all permits required for the construction and operation of our seventh warehouse club in Colombia on this site. We plan to commence construction in November 2015 and currently anticipate that this club will open in fall 2016. Additionally, we released approximately \$1.1 million in restricted cash related to the beneficial rights acquired to the land in the municipality of Chia, and the release of restricted cash related to a land purchase option in Guatemala that expired. We also increased during the fiscal year our investment in real estate joint ventures located in Panama and Costa Rica by approximately \$1.4 million.

Expenditures for warehouse club construction and expansion and for fixtures and equipment were associated with completion of the construction begun in fiscal year 2014 of the three warehouse clubs in Colombia and the completion of construction begun in fiscal year 2015 of the warehouse club Panama; the construction activities begun in fiscal year 2015 for the warehouse club in Nicaragua, which is scheduled to open in November 2015; and normal capital expenditures for ongoing replacement of equipment and building and leasehold improvements. We have either commitments or plans for capital spending during fiscal year 2016 for warehouse club construction of approximately \$12.3 million relating to a previously announced new warehouse club and we expect to spend approximately \$50.0 million in other capital expenditures for ongoing replacement of equipment and building/leasehold improvements. Future capital expenditures will be dependent on the timing of future land purchases and/or warehouse club construction activity.

In November 2014, we entered into a land purchase option agreement in a non-Colombia market for which we have recorded within the balance sheet approximately \$200,000 in restricted cash deposits and prepaid expenses. The land purchase option agreement can be canceled at our sole option with the amount deposited subject to forfeiture. We do not have a timetable for when or if we will exercise this land purchase option because it remains subject to our due diligence review. Our due diligence review includes evaluations of the legal status of the property, the zoning and permitting issues related to obtaining approval for the construction and operation of a warehouse club and other issues related to the property itself that could render the property unsuitable or limit the property's economic viability as a warehouse club site. If the purchase option agreement is exercised, the cash use would be approximately \$8.1 million.

Net cash used in investing activities increased in fiscal year 2014 compared to fiscal year 2013 by approximately \$47.7 million primarily due to an increase in cash expended for the construction and completion of a warehouse club in La Union, Cartago, Costa Rica ("Tres Rios"), the construction and completion of a warehouse club in Tegucigalpa, Honduras ("El Sauce"), the purchase of land and construction of warehouse clubs on the land in the southern area of Pereira, Colombia and in the city of Medellin, Colombia, the construction of a warehouse club on land we leased in Bogota, Colombia and the addition of fixtures and equipment for these warehouse clubs.

Net cash provided by (used in) financing activities for the period presented is summarized below:

	Fiscal Years Ended August 31,			Decrease/(Increase)	
	2015	2014	2013	2015 to 2014	2014 to 2013
New long-term bank loans, offset by establishment of certificates of deposit held against loans and payments on existing bank loans	\$ 24,992	\$ 26,186	\$ (1,667)	\$ (1,194)	\$ 27,853
New short-term bank loans, offset by payments	9,521	(4)	—	9,525	(4)
Cash dividend payments	(21,126)	(21,144)	(18,133)	18	(3,011)
Proceeds from exercise of stock options and the tax benefit related to these transactions	1,255	1,607	1,461	(352)	146
Purchase of treasury stock related to vesting of restricted stock	(4,677)	(4,773)	(3,467)	96	(1,306)
Net cash provided by (used in) financing activities	\$ 9,965	\$ 1,872	\$ (21,806)	\$ 8,093	\$ 23,678

Net cash provided by long-term loan activities decreased approximately \$1.2 million over the same period in fiscal year 2014 as we received cash from seven additional loans entered into by our Panama, Guatemala, Honduras (three loans in Honduras), Trinidad and Colombia subsidiaries for approximately \$10.0 million, \$7.5 million, \$16.9 million, \$3.6 million and \$15.0 million, respectively. Additionally, \$2.9 million in restricted cash was released back to us due to the repayment of one of the loans borrowed by our Honduras subsidiary and \$24.0 million in restricted cash was released back to us due to the repayment of four loans by our Colombia subsidiary. These increases were offset by repayments of long-term loans of approximately \$3.2 million and \$13.3 million by our Honduras subsidiary and \$3.2 million by our Trinidad subsidiary, the payment of approximately \$24.0 million in derivative obligations associated with our Colombia subsidiary loans, and regularly scheduled loan payments of \$11.2 million. Net cash provided by short-term loan activities increased approximately \$9.5 million over the same period in fiscal year 2014.

Net cash provided by loan activities increased in fiscal year 2014 for approximately \$27.9 million over the same period in fiscal year 2013 as we received cash from three additional loans entered into by our Panama, Honduras and El Salvador subsidiaries for approximately \$24.0 million, \$13.7 million, and \$4.2 million respectively. We also received additional cash from financing activities when compared to the prior year from the release of restricted cash related to loans of approximately \$6.0 million. These amounts were offset by repayments of long-term loans of approximately \$8.1 million by our Colombia subsidiary, \$3.2 million by our Panama subsidiary, and \$4.1 million by our El Salvador subsidiary. Regularly scheduled payments increased year on year by approximately \$700,000. The year on year comparison of cash provided by financing activities takes into account our recording in fiscal year 2013 of loans entered into by our Barbados subsidiary for approximately \$3.9 million pursuant to a loan agreement with Citi Corp Merchant Bank Limited.

The following table summarizes the dividends declared and paid during fiscal years 2015, 2014 and 2013.

Declared	Amount	First Payment			Second Payment		
		Record Date	Date Paid	Amount	Record Date	Date Paid	Amount
2/4/15	\$ 0.70	2/13/15	2/27/15	\$ 0.35	8/14/15	8/31/15	\$ 0.35
1/23/14	\$ 0.70	2/14/14	2/28/14	\$ 0.35	8/15/14	8/29/14	\$ 0.35
11/27/12	\$ 0.60	12/10/12	12/21/12	\$ 0.30	8/15/13	8/30/13	\$ 0.30

We anticipate the ongoing payment of semi-annual dividends in subsequent periods, although the actual declaration of future dividends, the amount of such dividends, and the establishment of record and payment dates is subject to final determination by the Board of Directors at its discretion after its review of the Company's financial performance and anticipated capital requirements.

Financing Activities

On August 28, 2015, the Company's Costa Rica subsidiary entered into a loan agreement with Citibank, N.A. ("Citi"). The agreement provides for a US \$7.5 million loan to be repaid in 20 quarterly principal payments of US \$187,500 plus interest, and balloon payment of \$3,750,000 due on August 28, 2020. The interest rate is set at the three-month LIBOR rate plus 2.50%. The loan is secured by a guarantee from PriceSmart, Inc. The \$7.5 million loan was funded on August 28, 2015. The Company entered into a cross-currency interest rate debt service swap agreement on August 31, 2015 with Citi. The Company will receive variable U.S. dollar interest based on the three-month LIBOR rate plus 2.50% on an amortizing notional of US \$7.5 million and pay fixed Costa Rican Colones ("CRC") interest of 7.65% on an amortizing notional of CRC 4,035,000,000 for a term of approximately five years. The swap agreement stipulates quarterly net settlement of notional amounts whereby the Company receives US \$187,500 from Citi and in exchange the Company pays CRC 100,875,000. The Company has economically hedged the currency exposure of the balloon payment using a non-deliverable forward contract. However, this economic hedge will not be designated as such for accounting purposes; therefore, the change in fair value of the non-deliverable forward will be accounted for in earnings.

In July 2015, the Company's Colombia subsidiary paid off outstanding loan principal balances of US \$16.0 million under these loan agreements with Scotiabank & Trust (Cayman) Ltd. The Company's subsidiary also settled the cross-currency interest rate swaps that it had entered into with the Bank of Nova Scotia related to these loans. The Colombia subsidiary had entered into the loan agreements with Scotiabank & Trust (Cayman) Ltd. in March 2011. These agreements established a credit facility for US \$16.0 million to be disbursed in three tranches. The interest rate was set at the three-month LIBOR rate plus 0.7%. The loan term was for five years with interest only payments and a balloon payment at maturity. These loans were secured by a time deposits of US \$16.0 million pledged by our Costa Rican subsidiary. The deposits earned interest at a rate equal to three-month LIBOR. The Company's Colombia subsidiary entered into three cross-currency interest rate swap agreements with Bank of Nova Scotia for the notional amount of US \$16.0 million. These cross-currency interest rate swaps agreements converted the Colombia subsidiary's U.S. dollar denominated principal and floating interest payments on the US \$16.0 million long-term quarterly amortizing debt with Scotiabank & Trust (Cayman) Ltd. to functional currency principal and fixed interest payments during the life of the hedging instruments. As changes in foreign exchange and interest rates impacted cash flows of principal and interest payments, the hedges were intended to offset changes in cash flows attributable to interest rate and foreign exchange movements. The hedged loans had a variable interest rate of three-month LIBOR plus 0.7%. Under the cross-currency interest rate swap agreements, the Company received variable U.S. dollar principal and interest based on the three-month LIBOR rate plus 0.7% on the quarterly amortizing notional amount of US \$16.0 million and paid fixed interest of 6.09%, 5.3% and 5.45% on the quarterly amortizing notional amounts of \$14.1 billion, \$3.8 billion, and \$11.4 billion Colombia Pesos for a term of approximately five years. The LIBOR reset dates for these hedged long-term debt and the cross-currency interest rate swaps occurred quarterly.

In August 2015, the Company's Colombia subsidiary paid off the outstanding loan principal balance of US \$8.0 million under a loan agreement entered into with Scotiabank & Trust (Cayman) Ltd. The Company's subsidiary also settled the cross-currency interest rate swaps that it had entered into with the Bank of Nova Scotia related to this loan. Our Colombia subsidiary and Scotiabank & Trust (Cayman) Ltd. had entered into a loan agreement in March 2011 which was amended and restated in January 2012. The amendment increased the credit facility by US \$16.0 million; as a result the total credit facility with Scotiabank & Trust (Cayman) Ltd. was for \$32.0 million. The interest rate on the incremental amount of the facility as the tranches were drawn was three-month LIBOR rate plus 0.6%. The loan term continued to be five years with interest only payments and a balloon payment at maturity. The deposits earned interest at a rate equal to three-month LIBOR. The first tranche of US \$8.0 million from the incremental US \$16.0 million of the credit facility was funded in February 2012, and we secured this portion of the loan with a US \$8.0 million secured time deposit pledged by our Costa Rica subsidiary. The Company's Colombia subsidiary concurrently entered into a cross-currency interest rate swap agreements with Scotiabank for the notional amount of a US \$8.0 million. The cross-currency interest rate swap agreements converted the Colombia subsidiary's U.S. dollar denominated principal and floating interest payments on the US \$8.0 million long-term quarterly amortizing debt with Scotiabank & Trust (Cayman) Ltd. to functional currency principal and fixed interest payments during the life of the hedging instruments. As changes in foreign exchange and interest rates impacted cash flows of principal and interest payments, the hedges were intended to offset changes in cash flows attributable to interest rate and foreign exchange movements. The hedged loan had a variable interest rate of three-month LIBOR plus 0.6%. Under the cross-currency interest rate swap agreements, the Company received variable U.S. dollar principal and interest based on the three-month LIBOR rate plus 0.6% on the quarterly amortizing notional amount of U.S. \$8.0 and paid fixed interest of 6.02% on the quarterly amortizing notional amount of 14.3 billion Colombia Pesos for a term of approximately five years. The LIBOR reset dates for these hedged long-term debt and the cross-currency interest rate swaps occurred quarterly.

On March 26, 2015, the Company's Honduras subsidiary paid off the outstanding principal balance of 179.3 million Lempiras (approximately US \$8.2 million) under the loan agreement entered into by the subsidiary on March 7, 2014 with Banco de America Central Honduras, S.A. The original agreement established a loan facility of 286.0 million Lempiras (approximately

US \$13.7 million). The interest rate was variable, with a minimum of 12.5% (12.75% at the time of pay-off). The loan term was for ten years with quarterly interest and principal payments, subject to a 24-month grace period on principal payments.

On March 24, 2015, the Company's Honduras subsidiary entered into a loan agreement with Citibank, N.A. The agreement establishes a credit facility for US \$8.5 million with a variable interest rate of three-month LIBOR plus 3.25%. The loan term is for five years with quarterly interest and principal payments. This loan is secured by assets of the Company's Honduras subsidiary. The loan was funded at execution. On March 24, 2015, the Company's Honduras subsidiary entered into a cross-currency interest rate swap agreement with Citibank, N.A. for a notional amount of US \$8.5 million. The cross-currency interest rate swap agreement converts the Honduras subsidiary's U.S. dollar denominated principal and floating interest payments on the US \$8.5 million long-term quarterly amortizing debt with Citibank to functional currency principal and fixed interest payments during the life of the hedging instrument. As changes in foreign exchange and interest rates impact the future cash flow of principal and interest payments, the hedge is intended to offset changes in cash flows attributable to interest rate and foreign exchange movements. The hedged loan has a variable interest rate of three-month LIBOR plus 3.25%. Under the cross-currency interest rate swap agreement, the Company will receive variable U.S. dollar principal and interest based on the three-month LIBOR rate plus 3.25% on a quarterly amortizing notional amount of US \$8.5 million and pay fixed interest of 10.75% on a quarterly amortizing notional amount of 185.6 million Honduran Lempiras for a term of approximately five years (effective date of March 24, 2015 through March 20, 2020). The LIBOR reset dates for the hedged long-term debt and the cross-currency interest rate swap occur on the 24th day of March, June, September, and December beginning on June 24, 2015.

On February 18, 2015 the Company's Honduras subsidiary paid down a loan entered into in March 2010. The loan agreement was with Banco Del Pais, S.A. for a loan based in Honduran Lempiras that was equivalent to approximately US \$6.0 million, which was scheduled to be paid over five years. The Company's Honduras subsidiary also had an agreement with Banco Del Pais to open and maintain a certificate of deposit as collateral for this loan. The certificate of deposit was automatically renewable by Banco Del Pais on an annual basis for the net amortized outstanding balance. The net amortized outstanding balance for the loan on the date of the loan pay down was approximately US \$87,000. The certificate of deposit released at the date of payment was approximately \$2.9 million.

On January 29, 2015, the Company's Trinidad subsidiary entered into a loan agreement with Citibank, Limited. The agreement establishes a credit facility for \$23.0 million Trinidad and Tobago Dollars (approximately \$3.6 million U.S. dollars) with a fixed interest rate of 4.45%. The loan term is for four years with monthly interest and quarterly principal payments. The loan was funded on February 18, 2015.

On December 4, 2014, the Company's Colombia subsidiary entered into a loan agreement with Citibank, N.A. The agreement establishes a credit facility for US \$15.0 million with a variable interest rate of three-month LIBOR plus 2.8%. The loan term is for five years with quarterly interest and principal payments. The loan was funded on December 4, 2014. On December 10, 2014, the Company's Colombia subsidiary entered into a cross-currency interest rate swap agreement with Citibank, N.A. for a notional amount of US \$15.0 million related to this loan. The cross-currency interest rate swap agreement converts the Colombia subsidiary's U.S. dollar denominated principal and floating interest payments on the first US \$7.9 million of the total US \$15.0 million long-term quarterly amortizing debt with Citibank to functional currency principal and fixed interest payments during the life of the hedging instrument. As changes in foreign exchange and interest rates impact the future cash flow of principal and interest payments, the hedge is intended to offset changes in cash flows attributable to interest rate and foreign exchange movements. Under the cross-currency interest rate swap agreement, the Company will receive variable U.S. dollar principal and interest based on the three-month LIBOR rate plus 2.8% on a quarterly amortizing notional amount of US \$15.0 million and pay fixed interest of 8.25% on a quarterly amortizing notional amount of 34,350,000,000 Colombian Pesos for a term of approximately five years. The LIBOR reset dates for the hedged long-term debt and the cross-currency interest rate swap occur on the fourth day of March, June, September, and December beginning on March 4, 2015.

On November 28, 2014, our Panama subsidiary drew down the final US \$10.0 million available against the credit facility established on March 31, 2014 under a loan agreement with The Bank of Nova Scotia. That agreement established a credit facility of US \$34.0 million at a variable interest rate of 30-day LIBOR plus 3.5% for a five year term, monthly principal and interest payments, and a US \$17.0 million principal payment due at maturity. The facility provides a five year renewal option upon approval of the Bank of Nova Scotia. The loan is secured by assets of our Panama subsidiary. During April 2014, we drew down US \$24.0 million of the US \$34.0 million facility and repaid borrowings due to MetroBank, S.A. of US \$3.2 million. On December 9, 2014, the Company's Panama subsidiary entered into an interest rate swap agreement with the Bank of Nova Scotia for a notional amount of US \$10.0 million related to this loan. The interest rate swap agreement converts the Panama subsidiary's floating interest payments on the first US \$5.0 million of the total US \$10.0 million long-term monthly amortizing debt with the Bank of Nova Scotia to fixed interest payments during the life of the hedging instrument. As changes in interest rates impact the future cash flows of loan interest payments, the hedge is intended to offset changes in cash flows attributable to variable interest rate movements. Under the interest rate swap agreement, the Company will receive variable interest based on the 30-day LIBOR rate plus 3.5% on a monthly amortizing notional amount of US \$10.0 million and pay fixed interest of 5.159% for a term of

approximately five years. The LIBOR reset dates for the hedged long-term debt and the interest rate swap occur on the 28th day of each month beginning on December 29, 2014.

On October 22, 2014, our Honduras subsidiary entered into a loan agreement with Citibank, N.A. The agreement establishes a credit facility for US \$5.0 million with a variable interest rate of three-month LIBOR plus 3.5%. The loan term is for five years with quarterly interest and principal payments. This loan is secured by assets of the Company's Honduras subsidiary. On October 23, 2014, the Company's Honduras subsidiary entered into a cross-currency interest rate swap agreement with Citibank, N.A for a notional amount of US \$5.0 million. The cross-currency interest rate swap agreement converts the Honduras subsidiary U.S. dollar denominated principal and floating interest payments on the first US \$3.0 million of the total US \$5.0 million long-term quarterly amortizing debt with Citibank to functional currency principal and fixed interest payments during the life of the hedging instrument. As changes in foreign exchange and interest rates impact the future cash flow of principal and interest payments, the hedge is intended to offset changes in cash flows attributable to interest rate and foreign exchange movements. Under the cross-currency interest rate swap agreement, the Company will receive variable U.S. dollar principal and interest based on the three-month LIBOR rate plus 3.5% on a quarterly amortizing notional amount of US \$5.0 million and pay fixed interest of 11.6% on a quarterly amortizing notional amount of 106,576,000 Honduran Lempiras for a term of approximately three years. The LIBOR reset dates for the hedged long-term debt and the cross-currency interest rate swap occur on the 22nd day of January, April, July, and October, beginning on January 22, 2015. The loan was funded at execution.

On October 3, 2014, our Honduras subsidiary paid off the US \$3.2 million outstanding under the loan agreement entered into by the subsidiary on January 12, 2010 with Scotiabank El Salvador, S.A. The original agreement established a loan facility for US \$6.0 million. The interest rate was fixed at 5.5%. The loan term was for five years with monthly interest and principal payment. The loan facility was renewable for an additional five-year period upon approval of Scotiabank El Salvador, S.A. This loan facility has terminated.

On October 1, 2014, our Honduras subsidiary entered into a loan agreement with The Bank of Nova Scotia. The agreement establishes a credit facility for \$3.4 million with a variable interest rate of 30-day LIBOR plus 3.5%. The loan term is for five years with monthly interest and principal payments. The purpose of the loan was to refinance the previously existing loan with ScotiaBank El Salvador, S.A. This loan is secured by assets of the Company's Honduras subsidiary.

On August 30, 2014, PriceSmart, Inc. entered into an agreement with MUFG Union Bank N.A. to increase our short-term borrowing facilities by approximately \$15.0 million. The interest rate for day to day draw down of the facility is the prime rate.

On August 29, 2014, our El Salvador subsidiary entered into a loan agreement with The Bank of Nova Scotia. The agreement establishes a credit facility for US \$4.2 million with a variable interest rate of 30-day LIBOR plus 3.5%. The loan term is for five years with monthly interest and principal payments. This loan is secured by assets of our El Salvador subsidiary. On December 16, 2014, the Company's El Salvador subsidiary entered into an interest rate swap agreement with the Bank of Nova Scotia for a notional amount of US \$4.0 million related to this loan. The interest rate swap agreement converts the El Salvador subsidiary's floating interest payments of the US \$4.0 million long-term monthly amortizing debt with the Bank of Nova Scotia to fixed interest payments during the life of the hedging instrument. As changes in interest rates impact the future cash flows of loan interest payments, the hedge is intended to offset changes in cash flows attributable to variable interest rate movements. Under the interest rate swap agreement, the Company will receive variable interest based on the 1-month LIBOR rate plus 3.5% on a monthly amortizing notional amount of US \$4.0 million and pay fixed interest of 4.78% for a term of approximately five years. The LIBOR reset dates for the hedged long-term debt and the interest rate swap occur on the 29th day of each month beginning on December 29, 2014. The hedged loan was funded on August 29, 2014.

On August 29, 2014, our El Salvador subsidiary repaid the remaining balance of US \$4.1 million on the loan agreement entered into by the subsidiary on September 1, 2009 with Scotiabank El Salvador, S.A. The original agreement established a loan facility for US \$8.0 million. The interest rate was fixed at 5.5%. The loan term was for five years with monthly interest and principal payments. The loan facility was renewable for an additional five-year period upon approval of Scotiabank El Salvador, S.A.

On August 25, 2014, our Colombia subsidiary entered into an agreement to establish short-term borrowing facilities with Citibank-Colombia S.A. for approximately \$10.9 million. The interest rate is the Inter Bank Rate plus 180 basis points set at the date of the funds draw down.

On March 31, 2014, our Panama subsidiary entered into a loan agreement with The Bank of Nova Scotia. The agreement establishes a credit facility of US \$34.0 million at a variable interest rate of 30-day LIBOR plus 3.5% for a five-year term, monthly principal and interest payments, and a US \$17.0 million principal payment due at maturity. The facility provides a five-year renewal option upon approval of the Bank of Nova Scotia. The loan is secured by assets of our Panama subsidiary. The purpose of the loan is to repay borrowings due to MetroBank, S.A. of \$3.2 million and to fund our warehouse club expansion

plans. During April 2014, we drew down US \$24.0 million of the US \$34.0 million facility and repaid the borrowings due to MetroBank, S.A. of \$3.2 million. On May 22, 2014, the Company's Panama subsidiary entered into an interest rate swap agreement with the Bank of Nova Scotia for a notional amount of approximately US \$19.8 million. The interest rate swap agreement converts the Panama subsidiary's floating interest payments on the first US \$10.0 million of our initial US \$20.0 million borrowing under the long-term monthly amortizing debt with the Bank of Nova Scotia to fixed interest payments during the life of the hedging instrument. Under the interest rate swap agreement, the Company will receive variable interest based on the 1-month LIBOR rate plus 3.5% on a monthly amortizing notional amount of approximately US \$19.8 million. Additionally, on May 22, 2014, the Company's Panama subsidiary entered into another interest rate swap agreement with the Bank of Nova Scotia for a notional amount of approximately US \$4.0 million. The interest rate swap agreement converts the Panama subsidiary's floating interest payments on the first US \$2.0 million of the next US \$4.0 million borrowing under the long-term monthly amortizing debt with the Bank of Nova Scotia to fixed interest payments during the life of the hedging instrument. Under the interest rate swap agreement, the Company will receive variable interest based on the 1-month LIBOR rate plus 3.5% on a monthly amortizing notional amount of approximately US \$4.0 million. As changes in interest rates impact the future cash flows of the interest payments on the loans, the hedges are intended to offset changes in cash flows attributable to variable interest rate movements. The Panama subsidiary pays fixed interest of 4.98% for a term of approximately five years on both interest rate swap agreements. The LIBOR reset dates for the hedged long-term debt and the interest rate swap agreements occur on the 4th day of each month beginning on June 4, 2014.

On March 31, 2014, our Panama subsidiary entered into a loan renewal agreement with The Bank of Nova Scotia renewing for an additional five years a 5.5% fixed rate loan originally entered into on August 21, 2009. The balance on the loan as of August 21, 2014 was US \$5.0 million. The renewal agreement became effective on August 21, 2014. The renewal agreement establishes a credit facility of US \$5.0 million at a variable interest rate of 30-day LIBOR plus 3.5%, for a five year term, with monthly principal and interest payments. The facility provides a five-year renewal option upon approval of the Bank of Nova Scotia. On August 1, 2014, the Company's Panama subsidiary entered into an interest rate swap agreement with the Bank of Nova Scotia for a notional amount of US \$5.0 million. The interest rate swap agreement converts the Panama subsidiary's floating interest payments on the long-term monthly amortizing debt with the Bank of Nova Scotia to fixed interest payments during the life of the hedging instrument. As changes in interest rates impact the future cash flows of loan interest payments, the hedge is intended to offset changes in cash flows attributable to variable interest rate movements. Under the interest rate swap agreement, the Company will receive variable interest based on the 1-month LIBOR rate plus 3.5% on a monthly amortizing notional amount of US \$5.0 million and pay fixed interest of 4.89% for a term of approximately five years. The LIBOR reset dates for the hedged long-term debt and the interest rate swap occur on the 21st day of each month beginning on September 22, 2014.

On March 7, 2014, our Honduras subsidiary entered into a loan agreement with Banco de America Central Honduras, S.A. The agreement establishes a credit facility for 286.0 million Lempiras (approximately U.S. \$13.7 million). The loan has a variable interest rate of 12.75%, which will be reviewed semiannually. The interest rate may not be less than 12.5%. The loan is for 10 years with interest and principal payments due quarterly, subject to a 24-month grace period on principal payments. This loan is secured by assets of our Honduras subsidiary. On March 10, 2014, we drew down the full amount of the LPS 286.0 million loan.

On November 3, 2013, we paid down US \$8.0 million of the loan agreement entered into by our Colombia subsidiary on November 1, 2010 with Citibank, N.A. in New York. The original agreement established a loan facility for US \$16.0 million to be disbursed in two tranches of US \$8.0 million each; however, we did not draw down the second tranche. The interest rate was set at the six-month LIBOR rate plus 2.4%. The loan term was for five years with interest only payments and a balloon payment at maturity. The loan facility was renewable for an additional five-year period at the option of our Colombia subsidiary, but if we did not draw on the facility or pay off the loan, the facility would terminate. We have repaid this loan, and this loan facility has terminated. This loan was secured by a time deposit pledged by us equal to the amount outstanding on the loan. The secured time deposit of US \$8.0 million pledged by us was released on November 3, 2013.

On August 30, 2012 our Barbados subsidiary entered into a loan agreement with Citicorp Merchant Bank Limited. The agreement established a credit facility for BDS\$8.0 million (Barbados Dollars), equivalent to approximately US \$4.0 million. The interest rate is set at the Barbados Prime Lending Rate less 2.0%. The loan term is seven years with interest and principal payments due quarterly. This loan is secured by assets of our Barbados subsidiary. On October 3, 2012, we obtained the proceeds from the BDS\$8.0 million loan.

Derivatives

We are exposed to certain risks relating to our ongoing business operations. One risk managed by us using derivative instruments is interest rate risk. To manage interest rate exposure, we enter into hedging transactions (interest rate swaps) using derivative financial instruments. The objective of entering into interest rate swaps is to eliminate the variability of cash flows in the interest payments associated with variable-rate LIBOR loans over the life of the loans. As changes in interest rates impact the future cash flow of interest payments, the hedges provide a synthetic offset to interest rate movements.

In addition, we are exposed to foreign currency and interest rate cash flow exposure related to non-functional currency long-term debt of some of our wholly owned subsidiaries. To manage this foreign currency and interest rate cash flow exposure, these subsidiaries may enter into cross-currency interest rate swaps that convert their U.S. dollar denominated floating interest payments to functional currency fixed interest payments during the life of the hedging instrument. As changes in foreign exchange and interest rates impact the future cash flow of interest payments, the hedges are intended to offset changes in cash flows attributable to interest rate and foreign exchange movements.

We are also exposed to foreign-currency exchange-rate fluctuations on U.S. dollar denominated liabilities within our international subsidiaries whose functional currency is other than the U.S. dollar. We manage these fluctuations, in part, through the use of non-deliverable forward foreign-exchange contracts that are intended to offset changes in cash flow attributable to currency exchange movements. The contracts are intended primarily to economically address exposure to U.S. dollar merchandise inventory expenditures made by our international subsidiaries whose functional currency is other than the U.S. dollar. We seek to mitigate foreign-currency exchange-rate risk with the use of these contracts and do not intend to engage in speculative transactions. Currently, these contracts do not contain any credit-risk-related contingent features. These contracts do not qualify for derivative hedge accounting. The forward currency hedges are not effective cash flow hedges because the notional amount and maturity date of the forward contract does not coincide with the accounts payable balance and due dates. The hedge ineffectiveness is measured by use of the “hypothetical derivative method,” and we record the changes in the fair value of the forward contract related to the re-measurement of the payable at spot exchange rates as exchange rate gains or losses. The implied interest rate included within the forward contract is reflected in earnings as interest expense.

For derivative instruments that are designated and qualify as cash flow hedges, the effective portion of the gain or loss on the derivative is reported as a component of other comprehensive income (loss) and reclassified into earnings in the same period or periods during which the hedged transaction is determined to be ineffective. There were no amounts reclassified into earnings for the periods reported herein as a result of hedge ineffectiveness.

The following table summarizes agreements for which we recorded cash flow hedge accounting transactions during the twelve months ended August 31, 2015:

Subsidiary	Date Entered into	Derivative Financial Counter-party	Derivative Financial Instruments	Initial US\$ Notional Amount	Bank US\$ loan Held with	Floating Leg (swap counter-party)	Fixed Rate for PSMT Subsidiary	Settlement Dates	Effective Period of swap
Costa Rica	28-Aug-15	Citibank, N.A. ("Citi")	Cross currency interest rate swap	\$ 7,500,000	Citibank, N.A.	Variable rate 3-month Libor plus 2.50%	7.65%	28th day of August, November, February, and May beginning on November 20, 2015	August 28, 2015 - August 28, 2020
Honduras	24-Mar-15	Citibank, N.A. ("Citi")	Cross currency interest rate swap	\$ 8,500,000	Citibank, N.A.	Variable rate 3-month Libor plus 3.25%	10.75%	24th day of March, June, September, and December beginning on June 24, 2015	March 24, 2015 - March 20, 2020
El Salvador	16-Dec-14	Bank of Nova Scotia ("Scotiabank")	Interest rate swap	\$ 4,000,000	Bank of Nova Scotia	Variable rate 30-day Libor plus 3.5%	4.78%	29th day of each month beginning on December 29, 2014	December 01, 2014 - August 29, 2019
Colombia	10-Dec-14	Citibank, N.A. ("Citi")	Cross currency interest rate swap	\$ 15,000,000	Citibank, N.A.	Variable rate 3-month Libor plus 2.8%	8.25%	4th day of March, June, Sept, Dec. beginning on March 4, 2015	December 4, 2014 - December 3, 2019
Panama	9-Dec-14	Bank of Nova Scotia ("Scotiabank")	Interest rate swap	\$ 10,000,000	Bank of Nova Scotia	Variable rate 30-day Libor plus 3.5%	5.159%	28th day of each month beginning December 29, 2014	November 28, 2014 - November 29, 2019
Honduras	23-Oct-14	Citibank, N.A. ("Citi")	Cross currency interest rate swap	\$ 5,000,000	Citibank, N.A.	Variable rate 3-month Libor plus 3.5%	11.6%	22nd day of January, April, July, and October beginning on January 22, 2015	October 22, 2014 - October 22, 2017
Panama	1-Aug-14	Bank of Nova Scotia ("Scotiabank")	Interest rate swap	\$ 5,000,000	Bank of Nova Scotia	Variable rate 30-day Libor plus 3.5%	4.89%	21st day of each month beginning on September 22, 2014	August 21, 2014 - August 21, 2019
Panama	22-May-14	Bank of Nova Scotia ("Scotiabank")	Interest rate swap	\$ 19,800,000	Bank of Nova Scotia	Variable rate 30-day Libor plus 3.5%	4.98%	4th day of each month beginning on June 4, 2014	May 5, 2014 - April 4, 2019
Panama	22-May-14	Bank of Nova Scotia ("Scotiabank")	Interest rate swap	\$ 3,970,000	Bank of Nova Scotia	Variable rate 30-day Libor plus 3.5%	4.98%	4th day of each month beginning on June 4, 2014	May 5, 2014 - April 4, 2019
Colombia	11-Dec-12	Bank of Nova Scotia ("Scotiabank")	Cross currency interest rate swap	\$ 8,000,000	Bank of Nova Scotia	Variable rate 3-month Libor plus 0.7%	4.79%	March, June, September and December, beginning on March 5, 2013	December 5, 2012 - December 5, 2014 Settled on December 5, 2014
Colombia	21-Feb-12	Bank of Nova Scotia ("Scotiabank")	Cross currency interest rate swap	\$ 8,000,000	Bank of Nova Scotia	Variable rate 3-month Libor plus 0.6%	6.02%	February, May, August and November beginning on May 22, 2012	Settled on August 6, 2015
Colombia	21-Oct-11	Bank of Nova Scotia ("Scotiabank")	Cross currency interest rate swap	\$ 2,000,000	Bank of Nova Scotia	Variable rate 3-month Libor plus 0.7%	5.301%	January, April, July and October, beginning on October 29, 2011	Settled on July 31, 2015
Colombia	21-Oct-11	Bank of Nova Scotia ("Scotiabank")	Cross currency interest rate swap	\$ 6,000,000	Bank of Nova Scotia	Variable rate 3-month Libor plus 0.7%	5.45%	March, June, September and December, beginning on December 29, 2011	Settled on July 31, 2015
Colombia	5-May-11	Bank of Nova Scotia ("Scotiabank")	Cross currency interest rate swap	\$ 8,000,000	Bank of Nova Scotia	Variable rate 3-month Libor plus 0.7%	6.09%	January, April, July and October, beginning on July 5, 2011	Settled on July 23, 2015

We measure the fair value for all financial assets and liabilities that are recognized or disclosed at fair value in the financial statements on a recurring basis during the reporting period. We have designated the interest rate swaps and cross-currency interest rate swap agreements as hedging instruments and have accounted for them under hedge accounting rules. The following table summarizes the fair value of interest rate swaps and cross-currency interest rate swaps that qualify for derivative hedge accounting (in thousands, except footnote data):

Derivatives designated as cash flow hedging instruments	August 31, 2015		August 31, 2014	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Cross-currency interest rate swaps ⁽¹⁾⁽²⁾	Prepaid expenses and other current assets (Cross-currency interest rate swaps)	\$ —	Prepaid expenses and other current assets (Cross-currency interest rate swaps)	\$ 495
Cross-currency interest rate swaps ⁽¹⁾⁽²⁾	Other non-current assets	\$ 4,129	Other non-current assets	\$ 970
Interest rate swaps ⁽³⁾	Other non-current assets	—	Other non-current assets	125
Interest rate swaps ⁽³⁾	Other long-term liabilities	(387)	Other long-term liabilities	—
Cross currency interest rate swap ⁽⁴⁾	Other long-term liabilities	(1,312)	Other long-term liabilities	—
Net fair value of derivatives designated as hedging instruments - assets (liability) ⁽⁴⁾		<u>\$ 2,430</u>		<u>\$ 1,590</u>

- (1) The effective portion of the cross-currency interest rate swaps for this subsidiary was recorded to Accumulated other comprehensive (income)/loss for \$(2.8) million and \$(917,000) net of tax as of August 31, 2015 and August 31, 2014, respectively.
- (2) The Company has recorded a deferred tax liability amount with an offset to other comprehensive income of \$(1.3) million and \$(548,000) as of August 31, 2015 and August 31, 2014, respectively, related to asset positions of cross-currency interest rate swaps. However, the equity effect of this deferred tax liability is offset by the full valuation allowance provided for the net deferred tax asset recorded for this subsidiary.
- (3) The effective portion of the interest rate swaps was recorded to Accumulated other comprehensive loss / (income) for \$289,000 and \$(94,000) net of tax as of August 31, 2015 and August 31, 2014, respectively. The Company has recorded a deferred tax asset / (liability) amount with an offset to other comprehensive income of \$98,000 and \$(31,000) as of August 31, 2015 and August 31, 2014, respectively.
- (4) The effective portion of the cross-currency interest rate swaps was recorded to Accumulated other comprehensive (income)/loss for \$830,000 and \$0 net of tax as of August 31, 2015 and August 31, 2014, respectively. The Company has recorded a deferred tax asset amount with an offset to other comprehensive income of \$482,000 and \$0 as of August 31, 2015 and August 31, 2014, respectively.
- (5) Derivatives listed on the above table were designated as cash flow hedging instruments.

From time to time, we enter into non-deliverable forward exchange contracts. These contracts are treated for accounting purposes as fair value contracts and do not qualify for derivative hedge accounting.

The following table summarizes these agreements as of August 31, 2015:

Subsidiary	Date entered into	Derivative Financial Counter-party	Derivative Financial Instruments	Notional Amount (in thousands)	Settlement Date	Effective Period of Forward
Costa Rica	31-Aug-15	Citibank, N.A.	Forward foreign exchange contracts	\$ 3,750	August 30, 2016	August 31, 2015-August 30, 2016

The following table summarizes the fair value of foreign currency forward contracts that do not qualify for derivative hedge accounting (in thousands):

Derivatives designated as fair value hedging instruments	August 31, 2015		August 31, 2014	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Foreign currency forward contracts	Other accrued expenses	(66)	Other accrued expenses	(14)
Net fair value of derivatives designated as hedging instruments that do not qualify for hedge accounting		<u>\$ (66)</u>		<u>\$ (14)</u>

Short-Term Borrowings and Long-Term Debt

Short-term borrowings consist of lines of credit which are secured by certain assets of our domestic company and by those of our subsidiaries. The short-term borrowing facilities are summarized below (in thousands):

	Total Amount of Facilities	Facilities Used		Facilities Available	Weighted average interest rate of loans outstanding
		Short-term Borrowings	Letters of Credit		
August 31, 2015	\$ 57,691	\$ 6,606	\$ 728	\$ 50,357	5.9%
August 31, 2014	\$ 61,869	\$ —	\$ 436	\$ 61,433	N/A

During the fiscal year 2014, we increased our short-term facilities in PriceSmart, Inc. by approximately \$15.0 million and established short-term facilities within our Colombia subsidiary of approximately \$10.9 million dollars. As of August 31, 2015, we had approximately \$40.0 million of short-term facilities in the U.S. that require us to comply with certain quarterly financial covenants, which include debt service and leverage ratios. As of August 31, 2015 and August 31, 2014, we were in compliance with respect to these covenants.

The following table provides the changes in our long-term debt for the twelve months ended August 31, 2015:

<i>(Amounts in thousands)</i>	Current Portion of Long-term debt	Long-term debt	Total
Balances as of August 31, 2014	\$ 11,848	\$ 79,591	\$ 91,439 ⁽¹⁾
Proceeds from long-term debt incurred during the period:			
Costa Rica subsidiary	750	6,750	7,500
Panama subsidiary	1,000	9,000	10,000
Honduras subsidiary	2,450	14,400	16,850 ⁽²⁾
Colombia subsidiary	1,500	13,500	15,000
Trinidad subsidiary	907	2,720	3,627
Repayments of long-term debt:			
Repayment of loan by Honduras subsidiary, originally entered into on January 12, 2012 with Scotiabank El Salvador, S.A.	(3,200)	—	(3,200)
Partial repayment of loan by Honduras subsidiary, originally entered into on March 7, 2014 with Banco de America Central Honduras, S.A.	—	(5,000)	(5,000)
Repayment of loan by Honduras subsidiary, originally entered into on March 7, 2014 with Banco de America Central Honduras, S.A.	—	(8,195)	(8,195)
Repayment of loan by Honduras subsidiary, originally entered into on March 6, 2010 with Banco del Pais, S.A.	(87)	—	(87)
Repayment of loan by Trinidad subsidiary, originally entered into on August 26, 2008 with Royal Bank of Trinidad and Tobago, Ltd (RBTT)	(900)	(2,325)	(3,225)
Repayment of loans by Colombia subsidiary	(16,000)	(8,000)	(24,000) ⁽³⁾
Regularly scheduled loan payments	(1,054)	(10,145)	(11,199)
Reclassifications of long-term debt	21,554	(21,554)	—
Translation adjustments on foreign-currency debt of subsidiaries whose functional currency is not the U.S. dollar ⁽⁴⁾	(1,599)	2,623	1,024
Balances as of August 31, 2015	<u>\$ 17,169</u>	<u>\$ 73,365</u>	<u>\$ 90,534</u> ⁽⁵⁾

(1) The carrying amount cash assets assigned as collateral for this total was \$24.6 million and the carrying amount on non-cash assets assigned as collateral for this total was \$84.2 million.

(2) Proceeds from the loans consist of three loans for approximately \$3.4 million, \$5.0 million and \$8.5 million.

(3) Reflects pay down of loans for \$16.0 million entered into with Scotiabank & Trust (Cayman) Ltd. on March 14, 2011 and pay down of \$8.0 million amended loan entered into on January 31, 2012.

(4) These foreign currency translation adjustments are recorded within Other comprehensive income.

(5) The carrying amount cash assets assigned as collateral for this total was \$0.0 million and the carrying amount on non-cash assets assigned as collateral for this total was \$104.1 million.

As of August 31, 2015, we had approximately \$43.7 million of long-term loans in Trinidad, Panama, El Salvador, Honduras and Colombia that require these subsidiaries to comply with certain annual or quarterly financial covenants, which include debt service and leverage ratios. As of August 31, 2015, we were in compliance with all covenants or amended covenants.

As of August 31, 2014, we had approximately \$62.5 million of long-term loans in Trinidad, Barbados, Panama, El Salvador, Honduras and Colombia that require these subsidiaries to comply with certain annual or quarterly financial covenants, which include debt service and leverage ratios. As of August 31, 2014, we were in compliance with all covenants, amended covenants or had received a written waiver from the bank with respect to any non-compliance.

Contractual Obligations

As of August 31, 2015, our commitments to make future payments under long-term contractual obligations were as follows (in thousands):

Contractual obligations	Payments due in:				
	Less than 1 Year	1 to 3 Years	4 to 5 Years	After 5 Years	Total
Long-term debt and interest ⁽¹⁾	\$ 20,996	\$ 32,384	\$ 48,809	\$ 1,368	\$ 103,557
Operating leases ⁽²⁾⁽³⁾	7,540	21,012	20,231	96,137	\$ 144,920
Additional capital contribution commitments to joint ventures ⁽⁴⁾	1,002	—	—	—	\$ 1,002
Data recovery services ⁽⁵⁾	145	37	—	—	\$ 182
Distribution center services ⁽⁶⁾	165	166	—	—	\$ 331
Warehouse club construction commitments ⁽⁷⁾	12,318	—	—	—	\$ 12,318
Total	\$ 42,166	\$ 53,599	\$ 69,040	\$ 97,505	\$ 262,310

- (1) Long-term debt includes debt with both fixed and variable interest rates. We have used variable rates as of August 31, 2015 to calculate future estimated payments related to the variable rate items. For the portion of the loans subject to interest rate swaps and cross-currency interest rate swaps, we have used the fixed interest rates as set by the interest rate swaps. Additionally, for debt for which we have entered into cross-currency interest rate swaps, we have used the derivative obligation as of August 31, 2015 to estimate the future commitments.
- (2) Operating lease obligations have been reduced by approximately \$275,000 to reflect the amounts net of sublease income. Additionally, during September 2014, we executed an amendment to include an additional 3,802 square feet of space and an extension on the term through May 2026 of the existing premises at our corporate headquarters, adding lease obligations of approximately \$11.8 million. In September 2014, we also executed an amendment to include an additional 26,400 and 70,424 square feet of space at our primary distribution center in Miami.
- (3) The Company has included the lease extensions of 10 years in the calculation for future minimum lease commitments for our Miami Distribution Facility.
- (4) Amounts shown are the contractual capital contribution requirements for our investment in the joint ventures that we have agreed to make; however, the parties intend to seek alternate financing for these projects. During the year ended August 31, 2014, we contributed an additional \$750,000 in January 2014 to Golf Park Plaza S.A., maintaining our 50% interest in the joint venture. During the year ended August 31, 2015, we contributed an additional \$800,000 in two payments of \$400,000 occurring in October 2014 and November 2014 to Golf Park Plaza S.A., maintaining our 50% interest in the joint venture. During the year ended August 31, 2015, we contributed an additional \$560,000 in two payments of \$400,000 and \$160,000 in October 2014 and January 2015, respectively, to Price Plaza Alajuela, S.A. and maintained our 50% interest in the joint venture. The contributions were a portion of our required additional future contributions under the joint venture agreement.
- (5) Amounts shown are the minimum payments under contract for our off-site data recovery services agreement.
- (6) Amounts shown are the minimum payments under contractual distribution center services agreements for Mexico City.
- (7) The amounts shown represent contractual obligations for construction services not yet rendered.

Income Tax Liabilities

We have as of August 31, 2015 approximately \$1.4 million in net liabilities for income taxes associated with uncertain tax benefits for which the timing of future payment is uncertain.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements that have had, or are reasonably likely to have, a material current or future effect on its financial condition or consolidated financial statements.

Repurchase of Equity Securities and Re-issuance of Treasury Shares

At the vesting dates for restricted stock awards to our employees, we repurchase a portion of the shares that have vested at the prior day's closing price per share, with the funds used to pay the employees' minimum statutory tax withholding requirements related to the vesting of restricted stock awards. We do not have a stock repurchase program.

Shares of common stock repurchased by us are recorded at cost as treasury stock and result in the reduction of stockholders' equity in our Consolidated Balance Sheets. We may reissue these treasury shares. When treasury shares are reissued, we use the first in/first out ("FIFO") cost method for determining cost of the reissued shares. If the issuance price is higher than the cost, the excess of the issuance price over the cost is credited to additional paid-in capital ("APIC"). If the issuance price is lower than the cost, the difference is first charged against any credit balance in APIC from treasury stock and the balance is charged to retained earnings.

The following table summarizes the shares repurchased during fiscal years 2015 and 2014:

Period	(a) Total Number of Shares Purchased 2015	(b) Average Price Paid Per Share 2015	(a) Total Number of Shares Purchased 2014	(b) Average Price Paid Per Share 2014
1 st quarter ended November 30,	—	\$ —	—	\$ —
2 nd quarter ended February 28,	49,950	88.95	48,291	94.18
3 rd quarter ended May 31,	689	83.33	517	101.44
4 th quarter ended August 31,	1,757	100.26	2,090	82.31
Total fiscal year	52,396	\$ 90.37	50,898	\$ 93.77

We have reissued treasury shares as part of our stock-based compensation programs. However, no treasury shares were reissued during fiscal year 2015.

Critical Accounting Estimates

The preparation of our consolidated financial statements requires that management make estimates and judgments that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Some of our accounting policies require management to make difficult and subjective judgments, often as a result of the need to make estimates of matters that are inherently uncertain. Management continues to review its accounting policies and evaluate its estimates, including those related to contingencies and litigation, income taxes, value added taxes, and long-lived assets. We base our estimates on historical experience and on other assumptions that management believes to be reasonable under the present circumstances. Using different estimates could have a material impact on our financial condition and results of operations.

Contingencies and Litigation: In the ordinary course of business, we are periodically named as a defendant in various lawsuits, claims and pending actions and are exposed to tax risks (other than income tax). The principal risks that we insure against are workers' compensation, general liability, vehicle liability, property damage, employment practices, errors and omissions, fiduciary liability and fidelity losses. If a potential loss arising from these lawsuits, claims, actions and non-income tax issues is probable and reasonably estimable, we record the estimated liability based on circumstances and assumptions existing at the time. The estimates affecting our litigation reserves can be affected by new claims filed after the balance sheet date with respect to events occurring prior to the balance sheet date and developments in pending litigation that may affect the outcome of the litigation. While we believe the recorded liabilities are adequate, there are inherent limitations in projecting the outcome of litigation and in evaluating the probable additional tax associated with various non-income tax filing positions. As such, we are unable to make a reasonable estimate of the sensitivity to change of estimates affecting our recorded liabilities. As additional information becomes available, we assess the potential liability and revise our estimates as appropriate.

Income Taxes: We account for income taxes using the asset and liability method. Under the asset and liability method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences and carry-forwards are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance is established when necessary to reduce deferred tax assets to amounts expected to be realized. As of August 31, 2015, we evaluated our deferred tax assets and liabilities and determined that a valuation allowance was necessary for certain foreign deferred tax asset balances, primarily because of the existence of significant negative objective evidence, such as the fact that certain subsidiaries are in a cumulative loss position for the past three years, indicating that certain net operating loss carry-forward periods are not sufficient to realize the related deferred tax assets.

We and our subsidiaries are required to file federal and state income tax returns in the United States and various other tax returns in foreign jurisdictions. The preparation of these tax returns requires us to interpret the applicable tax laws and regulations in effect in such jurisdictions, which could affect the amount of tax we pay. In consultation with our tax advisors, we base our tax returns on interpretations that we believed to be reasonable under the circumstances. The tax returns, however, are subject to routine reviews by the various federal, state and foreign taxing authorities in the jurisdictions in which we or one of our subsidiaries file tax returns. As part of these reviews, a taxing authority may disagree with respect to the income tax positions we have taken ("uncertain tax positions") and, therefore, require us or one of our subsidiaries to pay additional taxes.

We accrue an amount for our estimate of probable additional income tax liability. In certain cases, the impact of an uncertain income tax position on the income tax return must be recognized at the largest amount that is more-likely-than-not to be sustained upon audit by the relevant tax authority. An uncertain income tax position will not be recognized if it has less than 50% likelihood of being sustained. This requires significant judgment, the use of estimates, and the interpretation and application of complex tax laws. When facts and circumstances change, we reassess these probabilities and record any changes in the consolidated financial statements as appropriate. There were no material changes in our uncertain income tax positions for the periods ended on August 31, 2015 and August 31, 2014. However, during the fiscal year 2014, we were required to make payments of \$4.2 million to the governments in two countries with respect to income tax cases that we are currently appealing and believe that we will eventually prevail. These amounts have been recorded in the balance sheet as other non-current assets, as we consider these a payment on account and expect to get a refund thereof upon eventually prevailing on these cases, but we are unsure of the timing thereof. Furthermore, during the first quarter of fiscal year 2015, one of the Company's subsidiaries received provisional assessments claiming \$2.5 million of taxes, penalties and interest related to withholding taxes on certain charges for services rendered by the Company. In addition, during the first quarter of fiscal year 2015, this subsidiary received provisional assessments totaling \$5.2 million for lack of deductibility of the underlying service charges due to the lack of withholding. Based on the Company's interpretation of local law, rulings and jurisprudence (including Supreme Court precedents with respect to the deductibility assessment), the Company expects to prevail in both instances and has not recorded a provision for these assessments.

We have not provided for U.S. deferred taxes on cumulative non-U.S. undistributed earnings as we deem such earnings to be indefinitely reinvested. It is not practicable to determine the U.S. federal income tax liability that would be associated with the repatriation earnings because of the complexity of the computation.

Tax Receivables: We pay Value Added Tax ("VAT") or similar taxes ("input VAT"), income taxes, and other taxes within the normal course of our business in most of the countries in which we operate related to the procurement of merchandise and/or services we acquires and/or on estimated sales and taxable income. We also collect VAT or similar taxes on behalf of the government ("output VAT") for merchandise and/or services we sell. If the output VAT exceeds the input VAT, then the difference is remitted to the government, usually on a monthly basis. If the input VAT exceeds the output VAT, this creates a VAT receivable. In some countries where we operate, the governments have implemented additional collection procedures, such as requiring

credit card processors to remit a portion of sales processed via credit card directly to the government as advance payments of VAT and/or income tax. In the case of VAT, these procedures alter the natural offset of input and output VAT and generally leave us with a net VAT receivable, forcing us to process significant refund claims on a recurring basis. With respect to income taxes paid, if the estimated income taxes paid or withheld exceed the actual income tax due this creates an income tax receivable. We either request a refund of these tax receivables or apply the balance to expected future tax payments. These refund or offset processes can take anywhere from several months to several years to complete.

In most countries where we operate, the tax refund process is defined and structured with regular refunds or offsets. However, in two countries the governments have alleged that there is no defined process in the law to allow them to refund VAT receivables. We, together with our tax and legal advisers, are currently appealing these interpretations in court and expect to prevail. In one of these countries, where there is recent favorable jurisprudence, the government has recently performed an audit to verify the amount of the respective VAT receivables as a required precursor to any refund. The balance of the VAT receivable in these countries was \$6.5 million and \$5.7 million as of August 31, 2015 and August 31, 2014, respectively. In another country, beginning in fiscal year 2015, a new minimum income tax mechanism took effect, which requires us to pay taxes based on a percentage of sales rather than income. As a result, we are making income tax payments substantially in excess of those we would expect to pay based on taxable income. The current rules (which we have appealed) do not allow us to obtain a refund or offset this excess income tax against other taxes. As of August 31, 2015, the Company currently has an outstanding income tax receivable of \$691,000 in this country; and there were deferred tax assets of approximately \$1.5 million outstanding as of that date. We have not placed any type of allowance on the recoverability of these tax receivables or deferred income taxes.

Our policy for classification and presentation of VAT receivables, income tax receivables and other tax receivables is as follows:

- Short-term VAT and Income tax receivables, recorded as Other current assets: This classification is used for any countries where our subsidiary has generally demonstrated the ability to recover the VAT or income tax receivable within one year. We also classify as short-term any approved refunds or credit notes to the extent that we expect to receive the refund or use the credit notes within one year.
- Long-term VAT and Income tax receivables, recorded as Other non-current assets: This classification is used for amounts not approved for refund or credit in countries where our subsidiary has not demonstrated the ability to obtain refunds within one year and/or for amounts which are subject to outstanding disputes. An allowance is provided against VAT and income tax receivable balances in dispute when we do not expect to eventually prevail in its recovery.

Long-lived Assets: We periodically evaluate our long-lived assets for indicators of impairment. Indicators that an asset may be impaired are:

- the asset's inability to continue to generate income from operations and positive cash flow in future periods;
- loss of legal ownership or title to the asset;
- significant changes in its strategic business objectives and utilization of the asset(s); and
- the impact of significant negative industry or economic trends.

Management's judgments are based on market and operational conditions at the time of the evaluation and can include management's best estimate of future business activity, which in turn drives estimates of future cash flows from these assets. These periodic evaluations could cause management to conclude that impairment factors exist, requiring an adjustment of these assets to their then-current fair market value. Future business conditions and/or activity could differ materially from the projections made by management causing the need for additional impairment charges. No impairment charges have been recorded during fiscal year 2015 related to the loss of legal ownership or title to assets; significant changes in the Company's strategic business objectives or utilization of assets; or the impact of significant negative industry or economic trends. Loss/(gain) on disposal of assets recorded during the years reported resulted from improvements to operations and normal preventive maintenance.

Seasonality

Historically, our merchandising businesses have experienced holiday retail seasonality in their markets. In addition to seasonal fluctuations, our operating results fluctuate quarter-to-quarter as a result of economic and political events in markets that we serve, the timing of holidays, weather, the timing of shipments, product mix, and currency effects on the cost of U.S.-sourced products which may make these products more or less expensive in local currencies and therefore more or less affordable. Because of such fluctuations, the results of operations of any quarter, are not indicative of the results that may be achieved for a full fiscal year or any future quarter. In addition, there can be no assurance that our future results will be consistent with past results or the projections of securities analysts.

Quantitative and Qualitative Disclosures about Market Risk

We are exposed to market risk from changes in interest rates, foreign currency exchange rates and commodity price risk. These market risks arise in the normal course of business. We do not engage in speculative trading activities. To manage the risk arising from these exposures, we utilize interest rate swaps, cross-currency interest rate swaps, non-deliverable foreign currency forward contracts and loans denominated in foreign currencies. For a discussion of our accounting policies for derivative instruments and further disclosures, please see Notes to Consolidated Financial Statements - Note 12 - Derivative Instruments and Hedging Activities.

Each market risk sensitivity analysis presented below is based on hypothetical scenarios used to calibrate potential risk and do not represent our view of future market changes. The effect of a change in a particular assumption is calculated without adjusting any other assumption. In reality, however, a change in one factor could cause a change in another factor, which may magnify or negate other sensitivities.

Interest Rate Risk

We are exposed to changes in interest rates as a result of our short-term borrowings and long-term debt borrowings. We have mitigated a portion of our interest rate risk by managing the mix of fixed and variable rate debt and by entering into interest rate swaps and cross-currency interest rate swaps to hedge interest rate risk. The notional amount, interest payment and maturity dates of the swap match the terms of the associated debt.

The table below provides information about our financial instruments that are sensitive to changes in interest rates. For debt obligations, the table represents the principal cash flows and related weighted-average interest rates by expected maturity dates. For interest rate swaps, including cross-currency interest rate swaps, the table represents the contractual cash flows and weighted-average interest rates by the contractual maturity date, unless otherwise noted. The notional amounts are used to calculate contractual cash flows to be exchanged under the contracts. The weighted-average variable rates are based upon prevailing market interest rates and the outstanding balances as of August 31, 2015.

Annual maturities of long-term debt and derivatives are as follow (in thousands):

Twelve months ended August 31,

(Amounts in thousands)

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>Thereafter</u>	<u>Total</u>
Long-Term Debt:							
Long-term debt with fixed interest rate	\$ 6,954	\$ 3,629	\$ 3,629	\$ 3,176	\$ 6,004	\$ 1,292	\$ 24,684 ⁽¹⁾
Weighted-average interest rate	8.89%	9.33%	9.33%	9.33%	10.04%	8.00%	9.26%
Long-term debt with variable interest rate	\$ 8,677	\$ 8,677	\$ 8,452	\$ 19,634	\$ 16,486	\$ —	\$ 61,926
Weighted-average interest rate	3.55%	3.54%	3.54%	3.56%	3.44%	—%	3.53%
Total long-term debt	\$ 15,631	\$ 12,306	\$ 12,081	\$ 22,810	\$ 22,490	\$ 1,292	\$ 86,610 ⁽¹⁾

Derivatives:

Interest Rate Swaps:

Variable to fixed interest	5,200	5,200	5,200	16,608	\$ 5,250	—	\$ 37,458
Weighted-average pay rate	4.97%	4.97%	4.97%	4.97%	5.16%	—%	5.00%
Weighted-average receive rate	3.70%	3.70%	3.70%	3.70%	3.70%	—%	3.70%

Cross-Currency Interest Rate Swaps:

Variable to fixed interest	\$ 4,067	\$ 4,067	\$ 3,416	3,100	13,888	—	\$ 28,538
Weighted-average pay rate	9.46%	9.46%	9.05%	8.79%	9.10%	—%	9.16%
Weighted-average receive rate	3.31%	3.31%	3.22%	3.16%	3.23%	—%	3.24%

⁽¹⁾ The Company has disclosed the future annual maturities of long-term debt, for which it has entered into cross-currency interest rate swaps, using the derivative obligation as of August 31, 2015 to estimate the future commitments, therefore the total annual commitments reflects these obligations, including the effect of the cross-currency interest rate swaps on the total-long term debt as disclosed on the consolidated balance sheet.

Foreign Currency Risk

We have foreign currency risks related to sales, operating expenses and financing transactions in currencies other than the U.S. dollar. As of August 31, 2015, we had a total of 37 consolidated warehouse clubs operating in 12 foreign countries and one U.S. territory, 29 of which operate under currencies other than the U.S. dollar. Approximately 52% of our net warehouse sales are comprised of products purchased in U.S. dollars and imported into the markets where our warehouse clubs are located, but approximately 79% of our net warehouse sales are in foreign currencies. We may enter into additional foreign countries in the future or open additional locations in existing countries, which may increase the percentage of net warehouse sales denominated in foreign currencies.

Currency exchange rate changes either increase or decrease the cost of imported products that we purchase in U.S. dollars and price in local currency. Price changes can impact the demand for those products in the market. Currency exchange rates also affect the reported sales of the consolidated company when local currency-denominated sales are translated to U.S. dollars. In addition, we revalue all U.S. dollar denominated assets and liabilities within those markets that do not use the U.S. dollar as the functional currency. These assets and liabilities include, but are not limited to, excess cash permanently reinvested offshore and the value of items shipped from the U.S. to our foreign markets. The gain or loss associated with this revaluation, net of reserves, is recorded in other income (expense).

Foreign currencies in most of the countries where we operate have historically devalued against the U.S. dollar and are expected to continue to devalue. The following tables summarize by country, for those countries with functional currencies other than the U.S. dollar, the weakening of the countries' currency against the U.S. dollar (devaluation) or the strengthening of their currencies (revaluation):

Country	Revaluation/(Devaluation)	
	Twelve Months Ended August 31,	
	2015	2014
	% Change	% Change
Colombia	(60.26)%	0.41 %
Costa Rica	0.85 %	(7.03)%
Dominican Republic	(3.21)%	(1.76)%
Guatemala	1.13 %	2.46 %
Honduras	(4.06)%	(3.09)%
Jamaica	(4.37)%	(10.54)%
Nicaragua	(5.03)%	(4.99)%
Trinidad	(0.04)%	1.33 %

We seek to manage foreign exchange risk by (1) adjusting prices on goods acquired in U.S. dollars on a periodic basis to maintain our target margins after taking into account changes in exchange rates; (2) obtaining local currency loans from banks within certain markets where it is economical to do so and where management believes the risk of devaluation and the level of U.S. dollar denominated liabilities warrants this action; (3) reducing the time between the acquisition of product in U.S. dollars and the settlement of that purchase in local currency; (4) maintaining a balance between assets held in local currency and in U.S. dollars; and (5) by entering into cross-currency interest rate swaps and forward currency derivatives. We have local-currency-denominated long-term loans in Honduras and Guatemala; we have cross-currency interest rate swaps and forward currency derivatives in Colombia and interest rate swaps in Panama. Turbulence in the currency markets can have a significant impact on the value of the foreign currencies within the countries in which we operate. We report the gains or losses associated with the revaluation of these monetary assets and liabilities on our Consolidated Statements of Income under the heading "Other income (expense), net." Future volatility and uncertainties regarding the currencies in the countries that we operate in could have a material impact on our operations in future periods. However, there is no way to accurately forecast how currencies may trade in the future and, as a result, we cannot accurately project the impact of the change in rates on our future demand for imported products, reported sales, or financial results.

We are exposed to foreign exchange risks related to U.S. dollar-denominated cash, cash equivalents and restricted cash, to U.S. dollar-denominated intercompany debt balances and to other U.S. dollar-denominated debt/asset balances (excluding U.S. dollar-denominated debt obligations for which we hedge a portion of the currency risk inherent in the interest and principal payments), within entities whose functional currency is not the U.S. dollar. The following table discloses the net effect on other income (expense) for these U.S. dollar-denominated accounts relative to hypothetical simultaneous currency devaluation in all the countries listed in the table above, based on balances as of August 31, 2015:

Overall weighted negative currency movement	Gains based on change in U.S. dollar denominated cash, cash equivalents and restricted cash balances (in thousands)	Losses based on change in U.S. dollar denominated inter-company balances (in thousands)	Losses based on change in U.S. dollar denominated asset/liability balances, presented (in thousands) ⁽¹⁾
5%	\$ 2,402	\$ 2,362	\$ 4,128
10%	\$ 4,805	\$ 4,724	\$ 8,256
20%	\$ 9,609	\$ 9,447	\$ 16,512

We are also exposed to foreign exchange risks related to local-currency-denominated cash and cash equivalents, to local-currency-denominated debt obligations, to local-currency-denominated current assets and liabilities and to local-currency-denominated long-term assets and liabilities within entities whose functional currency is not the U.S. dollar. The following table discloses the net effect on other comprehensive income (loss) for these local currency denominated accounts relative to hypothetical simultaneous currency devaluation in all the countries listed in the table above, based on balances as of August 31, 2015:

Overall weighted negative currency movement	Other comprehensive loss on the decline in local currency denominated cash and cash equivalents and restricted cash (in thousands)	Other comprehensive gain on the decline in foreign currency denominated debt obligations (in thousands)	Other comprehensive loss on the decline in all other foreign currency denominated current assets net of current liabilities (in thousands)	Other comprehensive loss on the decline in all other foreign currency denominated long-term assets net of long-term liabilities (in thousands)
5%	\$ 2,798	\$ 1,376	\$ 7,646	\$ 9,734
10%	\$ 5,597	\$ 2,753	\$ 15,291	\$ 19,469
20%	\$ 11,197	\$ 5,506	\$ 30,583	\$ 38,938

In addition, we are exposed to foreign currency exchange rate fluctuations associated with our U.S. dollar-denominated debt obligations that we hedge. We hedge a portion of the currency risk inherent in the interest and principal payments associated with this debt through the use of cross-currency interest rate swaps. The terms of these swap agreements are commensurate with the underlying debt obligations. The aggregate fair value of these swaps was in a net asset position of approximately \$2.03 million at August 31, 2015 and approximately \$917,000 at August 31, 2014. A hypothetical 10% increase in the currency exchange rates underlying these swaps from the market rates at August 31, 2015 would have resulted in a further increase in the value of the swaps of approximately \$1.5 million. Conversely, a hypothetical 10% decrease in the currency exchange rates underlying these swaps from the market rates at August 31, 2015 would have resulted in a net decrease in the value of the swaps of approximately \$1.7 million.

We use non-deliverable forward foreign exchange contracts to address exposure to U.S. dollar merchandise inventory expenditures made by our international subsidiaries whose functional currency is other than the U.S. dollar. Currently, these contracts do not qualify for derivative hedge accounting. The market risk related to foreign currency forward contracts is measured by estimating the potential impact of a 10% change in the value of the U.S. dollar relative to the local currency exchange rates. The rates used to perform this analysis were based on the market rates in effect on August 31, 2015. A 10% appreciation of the U.S. dollar relative to the local currency exchange rates would result in approximately a \$242,000 net increase in the fair value of the contracts. Conversely, a 10% depreciation of the U.S. dollar relative to the local currency exchange rates would result in approximately a \$296,000 net decrease in the fair value of the contracts. However, gains or losses on these derivative instruments are economically offset by the gains or losses on the underlying transactions.

Commodity Price Risk

The increasing price of oil and certain commodities could have a negative effect on our operating costs and sales. Higher oil prices can negatively impact the economic growth of the countries in which we operate, thereby reducing the buying power of our members. Higher oil prices can also increase our operating costs, particularly utilities and distribution expenses. Inflationary pressures on various commodities also may impact consumer spending. We do not currently seek to hedge commodity price risk.

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders of PriceSmart, Inc.

We have audited the accompanying consolidated balance sheets of PriceSmart, Inc. as of August 31, 2015 and 2014, and the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows for each of the three years in the period ended August 31, 2015. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of PriceSmart, Inc. at August 31, 2015 and 2014, and the consolidated results of its operations and its cash flows for each of the three years in the period ended August 31, 2015, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), PriceSmart, Inc.'s internal control over financial reporting as of August 31, 2015, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated October 29, 2015, expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

San Diego, California
October 29, 2015

PRICESMART, INC.
CONSOLIDATED BALANCE SHEETS
(amounts in thousands, except share data)

	August 31,	
	2015	2014
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 157,072	\$ 137,098
Short-term restricted cash	61	2,353
Receivables, net of allowance for doubtful accounts of \$0 as of August 31, 2015 and August 31, 2014, respectively	9,662	7,910
Merchandise inventories	267,175	226,383
Deferred tax assets – current, net	7,849	6,177
Prepaid expenses and other current assets (includes \$0 and \$495 as of August 31, 2015 and August 31, 2014, respectively, for the fair value of derivative instruments)	22,535	17,260
Total current assets	<u>464,354</u>	<u>397,181</u>
Long-term restricted cash	1,464	27,013
Property and equipment, net	433,040	426,325
Goodwill	35,871	36,108
Deferred tax assets – long term	7,464	11,825
Other non-current assets (includes \$4,129 and \$1,095 as of August 31, 2015 and August 31, 2014, respectively, for the fair value of derivative instruments)	39,182	30,755
Investment in unconsolidated affiliates	10,317	8,863
Total Assets	<u>\$ 991,692</u>	<u>\$ 938,070</u>

PRICESMART, INC.
CONSOLIDATED BALANCE SHEETS
(amounts in thousands, except share data)

	August 31,	
	2015	2014
LIABILITIES AND EQUITY		
Current Liabilities:		
Short-term borrowings	\$ 6,606	\$ —
Accounts payable	241,978	223,559
Accrued salaries and benefits	17,977	16,614
Deferred membership income	20,184	17,932
Income taxes payable	9,595	7,718
Other accrued expenses (includes \$66 and \$14 as of August 31, 2015 and August 31, 2014, respectively, for the fair value of foreign currency forward contracts)	23,558	21,030
Long-term debt, current portion	17,169	11,848
Deferred tax liability – current	30	157
Total current liabilities	337,097	298,858
Deferred tax liability – long-term	2,193	2,290
Long-term portion of deferred rent	6,595	5,591
Long-term income taxes payable, net of current portion	1,402	1,918
Long-term debt, net of current portion	73,365	79,591
Other long-term liabilities (includes \$1,699 and \$0 for the fair value of derivative instruments and \$2,757 and \$1,557 for post employment plans as of August 31, 2015 and August 31, 2014, respectively)	4,456	1,557
Total liabilities	425,108	389,805
Equity:		
Common stock, \$0.0001 par value, 45,000,000 shares authorized; 30,977,764 and 30,950,701 shares issued and 30,184,584 and 30,209,917 shares outstanding (net of treasury shares) as of August 31, 2015 and August 31, 2014, respectively	3	3
Additional paid-in capital	403,168	397,150
Tax benefit from stock-based compensation	10,711	9,505
Accumulated other comprehensive loss	(101,512)	(49,286)
Retained earnings	283,611	215,613
Less: treasury stock at cost; 793,180 and 740,784 shares as of August 31, 2015 and August 31, 2014, respectively	(29,397)	(24,720)
Total equity	566,584	548,265
Total Liabilities and Equity	\$ 991,692	\$ 938,070

See accompanying notes.

PRICESMART, INC.
CONSOLIDATED STATEMENTS OF INCOME
(amounts in thousands, except per share data)

	Years Ended August 31,		
	2015	2014	2013
Revenues:			
Net warehouse club sales	\$ 2,721,132	\$ 2,444,314	\$ 2,239,266
Export sales	33,279	31,279	23,059
Membership income	43,673	38,063	33,820
Other income	4,519	3,911	3,667
Total revenues	<u>2,802,603</u>	<u>2,517,567</u>	<u>2,299,812</u>
Operating expenses:			
Cost of goods sold:			
Net warehouse club	2,321,074	2,083,933	1,907,632
Export	31,765	29,731	21,796
Selling, general and administrative:			
Warehouse club operations	241,285	212,476	194,140
General and administrative	56,371	49,944	46,784
Pre-opening expenses	3,737	3,331	1,525
Loss/(gain) on disposal of assets	2,005	1,445	889
Total operating expenses	<u>2,656,237</u>	<u>2,380,860</u>	<u>2,172,766</u>
Operating income	146,366	136,707	127,046
Other income (expense):			
Interest income	1,058	853	1,335
Interest expense	(6,440)	(4,295)	(4,216)
Other income (expense), net	(4,388)	984	(954)
Total other income (expense)	<u>(9,770)</u>	<u>(2,458)</u>	<u>(3,835)</u>
Income from operations before provision for income taxes and income/(loss) of unconsolidated affiliates	136,596	134,249	123,211
Provision for income taxes	(47,566)	(41,372)	(38,942)
Income/(loss) of unconsolidated affiliates	94	9	(4)
Net income	<u>\$ 89,124</u>	<u>\$ 92,886</u>	<u>\$ 84,265</u>
Net income per share:			
Basic net income per share	<u>\$ 2.95</u>	<u>\$ 3.07</u>	<u>\$ 2.78</u>
Diluted net income per share	<u>\$ 2.95</u>	<u>\$ 3.07</u>	<u>\$ 2.78</u>
Shares used in per share computations:			
Basic	<u>29,848</u>	<u>29,747</u>	<u>29,647</u>
Diluted	<u>29,855</u>	<u>29,757</u>	<u>29,657</u>
Dividends per share	<u>\$ 0.70</u>	<u>\$ 0.70</u>	<u>\$ 0.60</u>

See accompanying notes.

PRICESMART, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(AMOUNTS IN THOUSANDS)

	Years Ended August 31,		
	2015	2014	2013
Net income	\$ 89,124	\$ 92,886	\$ 84,265
Other Comprehensive Income, net of tax:			
Foreign currency translation adjustments ⁽¹⁾	(48,863)	(8,089)	(10,359)
Defined benefit pension plans:			
Net gain (loss) arising during period	65	260	(68)
Amortization of prior service cost and actuarial gains included in net periodic pensions cost	(291)	5	(10)
Total defined benefit pension plans	(226)	265	(78)
Derivative Instruments: ⁽²⁾			
Unrealized gains/(losses) on change in derivative obligations	(3,865)	—	—
Unrealized gains (losses) on change in fair value of interest rate swaps	828	101	2,144
Amounts reclassified from accumulated other comprehensive income (loss) to other income (expense), for settlement of derivatives	(100)	(88)	—
Total Derivative Instruments	(3,137)	13	2,144
Other comprehensive income (loss)	(52,226)	(7,811)	(8,293)
Comprehensive income	\$ 36,898	\$ 85,075	\$ 75,972

⁽¹⁾ Translation adjustments arising in translating the financial statements of a foreign entity have no effect on the income taxes of that foreign entity. They may, however, affect: (a) the amount, measured in the parent entity's reporting currency, of withholding taxes assessed on dividends paid to the parent entity and (b) the amount of taxes assessed on the parent entity by the government of its country. The Company has determined that the reinvestment of earnings of its foreign subsidiaries are indefinite because of the long-term nature of the Company's foreign investment plans. Therefore, deferred taxes are not provided for on translation adjustments related to unremitted earnings of the Company's foreign subsidiaries.

⁽²⁾ See Note 12 - Derivative Instruments and Hedging Activities.

PRICESMART, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
FOR EACH OF THE THREE YEARS IN THE PERIOD ENDED AUGUST 31, 2015
(amounts in thousands)

	Common Stock		Additional Paid-in Capital	Tax benefit from stock- based compensation		Accumulated other comprehensive loss	Retained Earnings (Accumulated deficit)	Treasury Stock		Total Equity
	Shares	Amount		Shares	Amount			Shares	Amount	
Balance at August 31, 2012	30,856	\$ 3	\$ 384,154	\$ 6,680	\$ (33,182)	\$ 77,739	645	\$ (16,480)	\$ 418,914	
Purchase of treasury stock	—	—	—	—	—	—	45	(3,467)	(3,467)	
Issuance of restricted stock	64	—	—	—	—	—	—	—	—	
Forfeiture of restricted stock awards	(2)	—	—	—	—	—	—	—	—	
Exercise of stock options	6	—	125	—	—	—	—	—	125	
Stock-based compensation	—	—	6,302	1,336	—	—	—	—	7,638	
Dividend paid to stockholders	—	—	—	—	—	(18,133)	—	—	(18,133)	
Net income	—	—	—	—	—	84,265	—	—	84,265	
Other comprehensive income (loss)	—	—	—	—	(8,293)	—	—	—	(8,293)	
Balance at August 31, 2013	30,924	\$ 3	\$ 390,581	\$ 8,016	\$ (41,475)	\$ 143,871	690	\$ (19,947)	\$ 481,049	
Purchase of treasury stock	—	—	—	—	—	—	51	(4,773)	(4,773)	
Issuance of restricted stock	24	—	—	—	—	—	—	—	—	
Forfeiture of restricted stock awards	(2)	—	—	—	—	—	—	—	—	
Exercise of stock options	5	—	118	—	—	—	—	—	118	
Stock-based compensation	—	—	6,451	1,489	—	—	—	—	7,940	
Dividend paid to stockholders	—	—	—	—	—	(21,144)	—	—	(21,144)	
Net income	—	—	—	—	—	92,886	—	—	92,886	
Other comprehensive income (loss)	—	—	—	—	(7,811)	—	—	—	(7,811)	
Balance at August 31, 2014	30,951	\$ 3	\$ 397,150	\$ 9,505	\$ (49,286)	\$ 215,613	741	\$ (24,720)	\$ 548,265	
Purchase of treasury stock	—	—	—	—	—	—	52	(4,677)	(4,677)	
Issuance of restricted stock	33	—	—	—	—	—	—	—	—	
Forfeiture of restricted stock awards	(9)	—	—	—	—	—	—	—	—	
Exercise of stock options	3	—	49	—	—	—	—	—	49	
Stock-based compensation	—	—	5,969	1,206	—	—	—	—	7,175	
Dividend paid to stockholders	—	—	—	—	—	(21,126)	—	—	(21,126)	
Net income	—	—	—	—	—	89,124	—	—	89,124	
Other comprehensive income (loss)	—	—	—	—	(52,226)	—	—	—	(52,226)	
Balance at August 31, 2015	30,978	\$ 3	\$ 403,168	\$ 10,711	\$ (101,512)	\$ 283,611	793	\$ (29,397)	\$ 566,584	

See accompanying notes.

PRICESMART, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(amounts in thousands)

	Years Ended August 31,		
	2015	2014	2013
Operating Activities:			
Net income	\$ 89,124	\$ 92,886	\$ 84,265
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	34,445	28,475	24,444
Allowance for doubtful accounts	—	—	(1)
Loss on sale of property and equipment	2,005	1,445	889
Deferred income taxes	2,972	2,362	3,049
Excess tax (benefit)/deficiency on stock-based compensation	(1,206)	(1,489)	(1,336)
Equity in (gains)/losses of unconsolidated affiliates	(94)	(9)	4
Stock-based compensation	5,969	6,451	6,302
Proceeds from the settlement of derivatives	8,543	—	—
Change in operating assets and liabilities:			
Receivables, prepaid expenses and other current assets, accrued salaries and benefits, deferred membership income and other accruals	(6,886)	(11,676)	6,307
Merchandise inventories	(40,792)	(8,970)	(16,370)
Accounts payable	16,423	27,800	23,080
Net cash provided by (used in) operating activities	110,503	137,275	130,633
Investing Activities:			
Additions to property and equipment	(89,185)	(118,101)	(69,927)
Deposits for land purchase option agreements	1,095	(850)	(1,599)
Proceeds from disposal of property and equipment	368	142	264
Capital contributions to joint ventures	(1,360)	(750)	(550)
Net cash flows provided by (used in) investing activities	(89,082)	(119,559)	(71,812)
Financing Activities:			
Proceeds from long-term bank borrowings	52,977	41,942	3,979
Repayment of long-term bank borrowings	(30,905)	(23,756)	(7,646)
Proceeds from short-term bank borrowings	51,664	28,168	1,403
Repayment of short-term bank borrowings	(42,143)	(28,172)	(1,403)
Repayment of long-term debt with cross-currency interest rate swaps	(24,000)	—	—
Cash dividend payments	(21,126)	(21,144)	(18,133)
Release of/(addition to) restricted cash	26,920	8,000	2,000
Excess tax (deficiency)/benefit on stock-based compensation	1,206	1,489	1,336
Purchase of treasury stock	(4,677)	(4,773)	(3,467)
Proceeds from exercise of stock options	49	118	125
Net cash provided by/(used in) financing activities	9,965	1,872	(21,806)
Effect of exchange rate changes on cash and cash equivalents	(11,412)	(4,364)	(6,389)
Net increase/(decrease) in cash and cash equivalents	19,974	15,224	30,626
Cash and cash equivalents at beginning of year	137,098	121,874	91,248
Cash and cash equivalents at end of year	\$ 157,072	\$ 137,098	\$ 121,874

PRICESMART, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(amounts in thousands)

	Years Ended August 31,		
	2015	2014	2013
Supplemental disclosure of cash flow information:			
Cash paid during the period for:			
Interest, net of amounts capitalized	\$ 6,093	\$ 3,765	\$ 3,885
Income taxes	\$ 44,174	\$ 44,261	\$ 35,781

PRICESMART, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 – COMPANY OVERVIEW AND BASIS OF PRESENTATION

PriceSmart, Inc.'s ("PriceSmart", the "Company", or "we") business consists primarily of international membership shopping warehouse clubs similar to, but smaller in size than, warehouse clubs in the United States. As of August 31, 2015, the Company had 37 consolidated warehouse clubs in operation in 12 countries and one U.S. territory (six in Costa Rica and Colombia; five in Panama; four in Trinidad; three in Guatemala, Honduras and the Dominican Republic; two in El Salvador; and one each in Aruba, Barbados, Jamaica, Nicaragua and the United States Virgin Islands), of which the Company owns 100% of the corresponding legal entities (see Note 2 - Summary of Significant Accounting Policies). In January 2014, the Company acquired land in Pereira, Colombia and in the city of Medellin, Colombia and leased land in the city of Bogota, Colombia. The Company built new warehouse clubs at these three sites, and opened the Bogota location in October 2014 and opened the other two sites in November 2014. Together with the three warehouse clubs that were operating prior to these openings in Colombia (one in Barranquilla and two in Cali), these three new clubs brought the number of PriceSmart warehouse clubs operating in Colombia to six. In September 2014, the Company acquired land in La Chorrera ("Costa Verde"), west of Panama City, Panama, on which the Company opened its fifth PriceSmart warehouse club in Panama in June 2015. In April 2015, the Company acquired land in Managua, Nicaragua. The Company is currently constructing a warehouse club on this site, and expects to open it in November 2015. During October 2013, the Company opened its sixth membership warehouse club in Costa Rica in La Union, Cartago, and in May 2014, the Company opened its third warehouse club in Honduras in Tegucigalpa, the Company's second in the capital city.

The Company continues to explore other potential sites for future warehouse clubs in Central America, the Caribbean and Colombia. The warehouse club sales and membership sign-ups experienced with the opening of warehouse clubs in Colombia have reinforced the Company's belief that Colombia could be a market for additional PriceSmart warehouse clubs in other Colombian cities.

Basis of Presentation - The consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles. The consolidated financial statements include the accounts of PriceSmart, Inc., a Delaware corporation, and its subsidiaries. Intercompany transactions between the Company and its subsidiaries have been eliminated in consolidation.

Reclassifications to consolidated balance sheet recorded during fiscal year 2015 for fiscal year 2014 - Certain reclassifications to the consolidated balance sheet have been made to prior fiscal year amounts to conform to the presentation in the current fiscal year.

The Company recorded various post-employment plan accruals during fiscal year 2014 under accrued salaries and benefits. The Company has determined that some of these accruals should be classified as long-term liabilities. Therefore, the Company has recorded these accruals under Other Long Term Liabilities. The Company has made reclassifications to the consolidated balance sheet for fiscal year 2014 to conform to the presentation in fiscal year 2015. The following table summarizes the impact of this reclassification (in thousands):

	Year Ended August 31,	
	2014	
	Accrued salaries and benefits	Other long- term liabilities
As previously reported	\$ 17,799	\$ 372
Post-employment monthly accruals reclassified from Accrued salaries and benefits to Other long-term liabilities	(1,185)	1,185
As currently reported	\$ 16,614	\$ 1,557

PRICESMART, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

These reclassifications relate to the presentation of certain income tax receivables (see note 9). The table below summarizes these reclassifications.

	August 31, 2014 balance sheet line item as previously reported	Amount reclassified Dr/(Cr)	August 31, 2014 balance sheet line item as currently reported
Prepaid expenses and other current assets	22,570	\$ (5,310)	17,260
Other non-current assets	27,593	3,162	30,755
Accounts payable	(225,761)	2,202	(223,559)
Income taxes payable	(7,664)	(54)	(7,718)
Net amount of reclassifications		\$ —	

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation – The consolidated financial statements of the Company included herein include the assets, liabilities and results of operations of the Company’s wholly owned subsidiaries and the investments and operating results of joint ventures recorded under the equity method. All significant inter-company accounts and transactions have been eliminated in consolidation. The consolidated financial statements have been prepared by the Company pursuant to the rules and regulations of the SEC and reflect all adjustments (consisting of normal recurring adjustments) that are, in the opinion of management, necessary to fairly present the financial position, results of operations, and cash flows for the periods presented. As of August 31, 2015 all of the Company’s subsidiaries are wholly-owned. Additionally, the Company’s ownership interest in real estate development joint ventures as of August 31, 2015 is listed below:

Real Estate Development Joint Ventures	Countries	Ownership	Basis of Presentation
GolfPark Plaza, S.A.	Panama	50.0%	Equity ⁽¹⁾
Plaza Price Alajuela PPA, S.A.	Costa Rica	50.0%	Equity ⁽¹⁾

⁽¹⁾ Purchases of joint venture interests are recorded as investment in unconsolidated affiliates on the consolidated balance sheets.

Use of Estimates – The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Variable Interest Entities – The Company reviews and determines at the start of each arrangement, or subsequently if a reconsideration event occurs, whether any of its investments in joint ventures constitute a Variable Interest Entity (“VIE”) and whether it must consolidate a VIE and/or disclose information about its involvement in a VIE. The Company has determined that the joint ventures for GolfPark Plaza, S.A. and Plaza Price Alajuela PPA, S.A. are VIEs. The Company has determined that it is not the primary beneficiary of the VIEs and, therefore, has accounted for these entities under the equity method.

Cash and Cash Equivalents – Cash and cash equivalents represent cash and short-term investments with maturities of three months or less when purchased and proceeds due from credit and debit card transactions, which are generally settled within a few days of the underlying transaction.

Restricted Cash – The changes in restricted cash are disclosed within the consolidated statement of cash flows based on the nature of the restriction. The following table summarizes the restricted cash reported by the Company (in thousands):

PRICESMART, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

	<u>August 31, 2015</u>	<u>August 31, 2014</u>
Short-term restricted cash:		
Restricted for Honduras loan	\$ — ⁽¹⁾	\$ 1,200
Restricted cash for land purchase option agreements	—	1,095
Other short-term restricted cash ⁽¹⁾	61	58
Total short-term restricted cash	<u>\$ 61</u>	<u>\$ 2,353</u>
Long-term restricted cash:		
Restricted cash for Honduras loan	\$ — ⁽¹⁾	\$ 1,720
Restricted cash for Colombia bank loans	— ⁽¹⁾	24,000
Other long-term restricted cash ⁽²⁾	1,464	1,293
Total long-term restricted cash	<u>\$ 1,464</u>	<u>\$ 27,013</u>
Total restricted cash	<u>\$ 1,525</u>	<u>\$ 29,366</u>

⁽¹⁾ Restricted cash for loans released during fiscal year 2015 due to payment of loans.

⁽²⁾ The other restricted cash consists mainly of cash deposits held within banking institutions in compliance with federal regulatory requirements in Costa Rica and Panama.

Tax Receivables - The Company pays Value Added Tax (“VAT”) or similar taxes (“input VAT”), income taxes, and other taxes within the normal course of its business in most of the countries in which it operates related to the procurement of merchandise and/or services it acquires and/or on estimated sales and taxable income. The Company also collects VAT or similar taxes on behalf of the government (“output VAT”) for merchandise and/or services it sells. If the output VAT exceeds the input VAT, then the difference is remitted to the government, usually on a monthly basis. If the input VAT exceeds the output VAT, this creates a VAT receivable. In some countries where the Company operates, the governments have implemented additional collection procedures, such as requiring credit card processors to remit a portion of sales processed via credit card directly to the government as advance payments of VAT and/or income tax. In the case of VAT, these procedures alter the natural offset of input and output VAT and generally leave the Company with a net VAT receivable, forcing the Company to process significant refund claims on a recurring basis.

With respect to income taxes paid, if the estimated income taxes paid or withheld exceed the actual income tax due, this creates an income tax receivable. The Company either requests a refund of these tax receivables or applies the balance to expected future tax payments. These refund or offset processes can take anywhere from several months to several years to complete.

In most countries where the Company operates, the tax refund process is defined and structured with regular refunds or offsets. However, in two countries the governments have alleged that there is no defined process in the law to allow them to refund VAT receivables. The Company, together with its tax and legal advisers, is currently appealing these interpretations in court and expects to prevail. In one of these countries, where there is recent favorable jurisprudence, the government recently performed an audit to verify the amount of the respective VAT receivables as a required precursor to any refund. The balance of the VAT receivable in these countries was \$6.5 million and \$5.7 million as of August 31, 2015 and August 31, 2014, respectively. In another country, in which the Company has warehouse clubs, beginning in fiscal year 2015, a new minimum income tax mechanism took effect, which requires the Company to pay taxes based on a percentage of sales rather than income. As a result, the Company is making income tax payments substantially in excess of those it would expect to pay based on taxable income. The current rules (which the Company has appealed) do not allow the Company to obtain a refund or offset this excess income tax against other taxes. As of August 31, 2015, the Company currently has an outstanding income tax receivable of \$691,000 in this country, and it had deferred tax assets of approximately \$1.5 million outstanding as of that date. The Company has not placed any type of allowance on the recoverability of these tax receivables or deferred income taxes, because the Company believes that it is more likely than not that it will succeed in its appeal on the matter.

PRICESMART, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The Company's policy for classification and presentation of VAT receivables, income tax receivables and other tax receivables is as follows:

- Short-term VAT and Income tax receivables, recorded as Other current assets: This classification is used for any countries where the Company's subsidiary has generally demonstrated the ability to recover the VAT or income tax receivable within one year. The Company also classifies as short-term any approved refunds or credit notes to the extent that the Company expects to receive the refund or use the credit notes within one year.
- Long-term VAT and Income tax receivables, recorded as Other non-current assets: This classification is used for amounts not approved for refund or credit in countries where the Company's subsidiary has not demonstrated the ability to obtain refunds within one year and/or for amounts which are subject to outstanding disputes. An allowance is provided against VAT and income tax receivable balances in dispute when the Company does not expect to eventually prevail in its recovery.

The following table summarizes the VAT receivables reported by the Company (in thousands):

	<u>August 31, 2015</u>	<u>August 31, 2014</u>
Prepaid expenses and other current assets	\$ 4,673	\$ 3,565
Other non-current assets	22,239	17,115
Total amount of VAT receivable reported	<u>\$ 26,912</u>	<u>\$ 20,680</u>

The following table summarizes the Income tax receivables reported by the Company (in thousands):

	<u>August 31, 2015</u>	<u>August 31, 2014</u>
Prepaid expenses and other current assets	\$ 2,941	\$ 1,916
Other non-current assets	8,772	7,218
Total amount of income tax receivable reported	<u>\$ 11,713</u>	<u>\$ 9,134</u>

Lease Accounting – Certain of the Company's operating leases where the Company is the lessee (see "Revenue Recognition Policy" for lessor accounting) provide for minimum annual payments that increase over the life of the lease. The aggregate minimum annual payments are expensed on the straight-line basis beginning when the Company takes possession of the property and extending over the term of the related lease including renewal options when the exercise of the option is reasonably assured as an economic penalty may be incurred if the option is not exercised. The amount by which straight-line rent exceeds actual lease payment requirements in the early years of the leases is accrued as deferred rent and reduced in later years when the actual cash payment requirements exceed the straight-line expense. The Company also accounts in its straight-line computation for the effect of any "rental holidays" and lessor-paid tenant improvements. In addition to the minimum annual payments, in certain locations, the Company pays additional contingent rent based on a contractually stipulated percentage of sales.

Merchandise Inventories - Merchandise inventories, which include merchandise for resale, are valued at the lower of cost (average cost) or market. The Company provides for estimated inventory losses and obsolescence between physical inventory counts on the basis of a percentage of sales. The provision is adjusted periodically to reflect the trend of actual physical inventory count results, with physical inventories occurring primarily in the second and fourth fiscal quarters. In addition, the Company may be required to take markdowns below the carrying cost of certain inventory to expedite the sale of such merchandise.

Fair Value Measurements – The Company measures the fair value for all financial and nonfinancial assets and liabilities that are recognized or disclosed at fair value in the consolidated financial statements on a recurring or nonrecurring basis. The fair value of an asset is the price at which the asset could be sold in an orderly transaction between unrelated, knowledgeable and willing parties able to engage in the transaction. A liability's fair value is defined as the amount that would be paid to transfer the liability to a new obligor in a transaction between such parties, not the amount that would be paid to settle the liability with the creditor.

The Company has established a three-tier fair value hierarchy, which prioritizes the inputs used in measuring and revaluing fair value. These tiers include: Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined

PRICESMART, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions. The Company was not required to revalue any assets or liabilities utilizing Level 1 or Level 3 inputs at the balance sheet dates. The Company's Level 2 assets and liabilities revalued at the balance sheet dates, on a recurring basis, primarily included cash flow hedges (interest rate swaps and cross-currency interest rate swaps) and forward foreign exchange contracts. In addition, the Company utilizes Level 2 inputs in determining the fair value of long-term debt. The Company has elected not to revalue long-term debt because this debt will be settled at the carrying value and not at the fair market value. The Company did not make any significant transfers in and out of Level 1 and Level 2 fair value tiers during the periods reported on herein.

Nonfinancial assets and liabilities are revalued and recognized at fair value subsequent to initial recognition when there is evidence of impairment. For the periods reported, no impairment of such nonfinancial assets was recorded.

The disclosure of fair value of certain financial assets and liabilities recorded at cost is as follows:

Cash and cash equivalents: The carrying value approximates fair value due to the short maturity of these instruments.

Short-term restricted cash: The carrying value approximates fair value due to the short maturity of these instruments.

Long-term restricted cash: Long-term restricted cash primarily consists of auto renewable 3-12 month certificates of deposit, which are held as collateral against our long-term debt. The carrying value approximates fair value due to the maturity of the underlying certificates of deposit within the normal operating cycle of the Company.

Accounts receivable: The carrying value approximates fair value due to the short maturity of these accounts.

Short-term VAT and Income tax receivables: The carrying value approximates fair value due to the short maturity of these accounts.

Long-term VAT and Income tax receivables: The fair value of long-term receivables would normally be measured using a discounted cash flow analysis based on the current market interest rates for similar types of financial instruments, with an estimate of the time these receivables are expected to be outstanding. The Company is not able to provide an estimate on the time these receivables, owed to the Company by various government agencies, are expected to be outstanding; therefore, the Company has not presented a fair value on the long-term VAT and Income tax receivables.

Short-term debt: The carrying value approximates fair value due to the short maturity of these instruments.

Long-term debt: The fair value of debt is generally measured using a discounted cash flow analysis based on current market interest rates for similar types of financial instruments. These inputs are not quoted prices in active markets but they are either directly or indirectly observable; therefore, they are classified as Level 2 inputs. The carrying value and fair value of the Company's debt as of August 31, 2015 and August 31, 2014 is as follows (in thousands):

	<u>August 31, 2015</u>		<u>August 31, 2014</u>	
	<u>Carrying Value</u>	<u>Fair Value</u>	<u>Carrying Value</u>	<u>Fair Value</u>
Long-term debt, including current portion	\$ 90,534	\$ 88,307 ⁽¹⁾	\$ 91,439	\$ 92,893

⁽¹⁾ The Company has disclosed the fair value of long-term debt, including debt for which it has entered into cross-currency interest rate swaps, using the derivative obligation as of August 31, 2015 to estimate the fair value of long-term debt, which includes the effects that the cross-currency interest rate swaps have had on the fair value of long-term debt.

Derivative Instruments and Hedging Activities- The Company uses derivative financial instruments for hedging and non-trading purposes to manage its exposure to changes in interest rates and currency exchange rates. In using derivative financial instruments for the purpose of hedging the Company's exposure to interest rates and currency exchange rate risks, the contractual terms of a hedged instrument closely mirror those of the hedged item, providing a high degree of risk reduction and correlation. Contracts that are effective at meeting the risk reduction and correlation criteria (effective hedge) are recorded using hedge accounting. If a derivative financial instrument is an effective hedge, changes in the fair value of the instrument will be offset in accumulated other comprehensive income (loss) until the hedged item completes its contractual term. If any portion of the hedge is deemed ineffective, the change in fair value of the hedged assets or liabilities will be immediately recognized in earnings during the period. Instruments that do not meet the criteria for hedge accounting, or contracts for which the Company

PRICESMART, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

has not elected hedge accounting, are valued at fair value with unrealized gains or losses reported in earnings during the period of the change. Valuation techniques utilized in the fair value measurement of assets and liabilities presented on the Company's consolidated balance sheets were not changed from previous practice during the reporting period. The Company seeks to manage counterparty risk associated with these contracts by limiting transactions to counterparties with which the Company has an established banking relationship. There can be no assurance, however, that this practice effectively mitigates counterparty risk.

Cash Flow Instruments. The Company is a party to receive floating interest rate, pay fixed-rate interest rate swaps to hedge the interest rate risk of certain U.S. dollar denominated debt within its international subsidiaries. The swaps are designated as cash flow hedges of interest expense risk. These instruments are considered effective hedges and are recorded using hedge accounting. The Company is also a party to receive variable interest rate, pay fixed interest rate cross-currency interest rate swaps to hedge the interest rate and currency exposure associated with the expected payments of principal and interest of U.S. denominated debt within its international subsidiaries whose functional currency is other than the U.S. dollar. The swaps are designated as cash flow hedges of the currency risk related to payments on the U.S. denominated debt. These instruments are also considered to be effective hedges and are recorded using hedge accounting. Under cash flow hedging, the effective portion of the fair value of the derivative, calculated as the net present value of the future cash flows, is deferred on the consolidated balance sheets in accumulated other comprehensive loss. If any portion of an interest rate swap is determined to be an ineffective hedge, the gains or losses from changes in fair value would be recorded directly in the consolidated statements of income. Amounts recorded in accumulated other comprehensive loss are released to earnings in the same period that the hedged transaction impacts consolidated earnings. See Note 12 - Derivative Instruments and Hedging Activities for information on the fair value of interest rate swaps and cross-currency interest rate swaps as of August 31, 2015 and August 31, 2014.

Fair Value Instruments. The Company is exposed to foreign-currency exchange rate fluctuations in the normal course of business. The Company is also exposed to foreign-currency exchange rate fluctuations on U.S. dollar- denominated liabilities within its international subsidiaries whose functional currency is other than the U.S. dollar. The Company manages these fluctuations, in part, through the use of non-deliverable forward foreign-exchange contracts that are intended to offset changes in cash flow attributable to currency exchange movements. The contracts are intended primarily to economically address exposure to U.S. dollar merchandise inventory expenditures made by the Company's international subsidiaries whose functional currency is other than the U.S. dollar. Currently, these contracts are treated for accounting purposes as fair value instruments and do not qualify for derivative hedge accounting, and as such the Company does not apply derivative hedge accounting to record these transactions. As a result, these contracts are valued at fair value with unrealized gains or losses reported in earnings during the period of the change. The Company seeks to mitigate foreign-currency exchange-rate risk with the use of these contracts and does not intend to engage in speculative transactions. These contracts do not contain any credit-risk-related contingent features and are limited to less than one year in duration. See Note 12 - Derivative Instruments and Hedging Activities for information on the fair value of open, unsettled forward foreign-exchange contracts as of August 31, 2015 and August 31, 2014.

Early Settlement of Derivative Instruments Qualifying for Hedge Accounting. During the fourth quarter of fiscal year 2015, the Company's Colombia subsidiary paid off the outstanding principal balance of U.S. \$24.0 million on loan agreements that were entered into by the subsidiary with Scotiabank & Trust (Cayman) Ltd before the scheduled loan payment dates. The Company's Colombia subsidiary also settled the cross-currency interest rate swaps that it had entered into with the Bank of Nova Scotia ("Scotia Bank") related to these loans during the fourth quarter of fiscal year 2015. As indicated above, for a derivative instrument to qualify for cash flow hedge accounting there must be an expectation that the derivative instrument will be highly effective in achieving offsetting cash flows attributable to the hedged risk during the term of the hedge. As part of the determination that a derivative instrument is highly effective at offsetting the exposure, the Company must determine that that the forecasted transaction will occur; therefore, an entity's past ability to accurately predict forecasted transactions should be considered when determining if a hedged transaction qualifies for cash flow hedge accounting. To the extent an entity has developed a pattern of changing the probability of occurrence of forecasted transactions, the ability of the entity to accurately predict forecasted transactions and the propriety of using hedge accounting in the future for similar forecasted transactions would be called into question. The Company believes that the settlements of these derivatives does not demonstrate such a pattern and does not disqualify the Company from the application of hedge accounting for the remaining hedging instruments and underlying loans whose terms and conditions remain unchanged. The Company classifies cash payments or proceeds from termination of derivatives as net cash provided by (used in) operating activities within the consolidated statements of cash flows.

PRICESMART, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The following table summarizes financial assets and liabilities measured and recorded at fair value on a recurring basis in the Company's consolidated balance sheet as of August 31, 2015 and August 31, 2014 (in thousands) for derivatives that qualify for hedge accounting:

Assets and Liabilities as of August 31, 2015:	Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Other non-current assets - (Cross-currency interest rate swaps)	\$ —	\$ 4,129	\$ —	\$ 4,129
Other long-term liabilities – (Interest rate swaps)	—	(387)	—	(387)
Other long-term liabilities – (Cross-currency interest rate swaps)	—	(1,312)	—	(1,312)
Total	<u>\$ —</u>	<u>\$ 2,430</u>	<u>\$ —</u>	<u>\$ 2,430</u>

Assets and Liabilities as of August 31, 2014:	Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Prepaid expenses and other current assets (Cross-currency interest rate swaps)	\$ —	\$ 495	\$ —	\$ 495
Other non-current assets - (Cross-currency interest rate swaps)	\$ —	\$ 970	\$ —	\$ 970
Other non-current assets- (Interest rate swaps)	—	125	—	125
Total	<u>\$ —</u>	<u>\$ 1,590</u>	<u>\$ —</u>	<u>\$ 1,590</u>

The following table summarizes financial assets and liabilities measured and recorded at fair value on a recurring basis in the Company's consolidated balance sheet as of August 31, 2015 and August 31, 2014 (in thousands) for derivatives that do not qualify for hedge accounting:

Assets and Liabilities as of August 31, 2015	Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Other accrued expenses (Foreign currency forward contracts)	—	(66)	—	(66)
Net fair value of derivatives designated as hedging instruments that do not qualify for hedge accounting	<u>\$ —</u>	<u>\$ (66)</u>	<u>\$ —</u>	<u>\$ (66)</u>

Assets and Liabilities as of August 31, 2014	Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Other accrued expenses (Foreign currency forward contracts)	—	(14)	—	(14)
Net fair value of derivatives designated as hedging instruments that do not qualify for hedge accounting	<u>\$ —</u>	<u>\$ (14)</u>	<u>\$ —</u>	<u>\$ (14)</u>

PRICESMART, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Goodwill – The table below presents goodwill resulting from certain business combinations as of August 31, 2015 and August 31, 2014 (in thousands). The change in goodwill is a result of foreign exchange translation losses.

	<u>August 31, 2015</u>	<u>August 31, 2014</u>	<u>Change</u>
Goodwill	\$ 35,871	\$ 36,108	\$ (237)

The Company reviews goodwill at the entity level for impairment. The Company first reviews qualitative factors for each reporting unit in determining if an annual goodwill test is required. If the Company's review of qualitative factors indicates a requirement for a test of goodwill impairment, the Company then will assess whether the carrying amount of a reporting unit is greater than zero and exceeds its fair value established during the Company's prior test of goodwill impairment ("established fair value"). If the carrying amount of a reporting unit at the entity level is greater than zero and its established fair value exceeds its carrying amount, goodwill of the reporting unit is considered not impaired. If either the carrying amount of the reporting unit is not greater than zero or if the carrying amount of the entity exceeds its established fair value, the Company performs a second test to determine whether goodwill has been impaired and to calculate the amount of that impairment.

Revenue Recognition – The Company recognizes merchandise sales revenue when title passes to the customer. Membership income represents annual membership fees paid by the Company's warehouse club members, which are recognized ratably over the 12-month term of the membership. Membership refunds are prorated over the remaining term of the membership; accordingly, no refund reserve is required to be established for the periods presented. The Company recognizes and presents revenue-producing transactions on a net of value added/sales tax basis.

The Company began offering Platinum memberships in Costa Rica during fiscal year 2013, which provides members with a 2% rebate on most items, up to an annual maximum of \$500.00. Platinum members can apply this rebate to future purchases at the warehouse club at the end of the annual membership period. The Company records this 2% rebate as a reduction of revenue at the time of the sales transaction. Accordingly, the Company has reduced warehouse sales and has accrued a liability within other accrued expenses. The rebate expires within six months of the membership renewal date. However, the Company has determined that in the absence of relevant historical experience, the Company is not able to make a reasonable estimate of rebate redemptions and accordingly has assumed a 100% redemption rate. The Company will periodically review expired unused rebates outstanding, and the expired unused rebates will be recognized as Revenues: Other income on the consolidated statements of income.

The Company recognizes gift certificate sales revenue when the certificates are redeemed. The outstanding gift certificates are reflected as other accrued expenses in the consolidated balance sheets. These gift certificates generally have a one-year stated expiration date from the date of issuance. However, the absence of a large volume of transactions for gift certificates impairs the Company's ability to make a reasonable estimate of the redemption levels for gift certificates; therefore, the Company assumes a 100% redemption rate prior to expiration of the gift certificate. The Company periodically reviews unredeemed outstanding gift certificates, and the gift certificates that have expired are recognized as Revenues: Other income on the consolidated statements of income.

Operating leases, where the Company is the lessor, with lease payments that have fixed and determinable rent increases are recognized as revenue on a straight-line basis over the lease term. The Company also accounts in its straight-line computation for the effect of any "rental holidays." Contingent rental revenue is recognized as the contingent rent becomes due per the individual lease agreements.

Insurance Reimbursements- Receipts from insurance reimbursements up to the amount of the losses recognized are considered recoveries. These recoveries are accounted for when they are probable of receipt. Insurance recoveries are not recognized prior to the recognition of the related cost. Anticipated proceeds in excess of the amount of loss recognized are considered a gains and are subject to gain contingency guidance. Anticipated proceeds in excess of a loss recognized in the financial statements are not be recognized until all contingencies related to the insurance claim are resolved.

The Company's Guatemala Pradera warehouse club experienced a fire in its merchandise receiving department during the early morning hours of June 4, 2015. No members or employees were in the warehouse club at the time. The fire was extinguished, but caused considerable smoke and some fire damage. The warehouse club was closed for nine days and reopened on June 13, 2015. The Company is insured for these costs and has filed an insurance claim with its insurance provider. During the quarter ended August 31, 2015, the Company recorded an initial receivable of approximately \$2.8 million against the expected insurance payment related to expenses associated with the write off of inventory, equipment disposals, building repairs, other associated costs recognized related to the fire and for current replacement costs for assets lost in the fire in excess of the net book value (disposal cost). The Company has received as of August 31, 2015 approximately \$300,000 in payments against the claim filed and the receivable recorded. Of this amount, approximately \$76,000 was recorded as a gain on disposal of assets, as proceeds received from the insurance reimbursement were in excess of the amount of loss recognized on the disposal of assets.

PRICESMART, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

As of August 31, 2015, the Company's receivable related to this insurance claim was approximately \$2.6 million. Subsequent to August 31, 2015, the Company received during the first quarter of fiscal year 2016 additional reimbursements for approximately \$226,000. The Company's insurance policy also addresses coverage for business interruption. During the fourth quarter of fiscal year 2015, the Company filed a claim with its insurance carrier for approximately \$332,000 related to business interruption for which the Company has not recorded a receivable. Insurance proceeds for reimbursements related to business interruptions are considered gain contingencies and will not be recognized in the financial statements until the period in which all contingencies are resolved and the gain is realized. During the fourth quarter of fiscal year 2015, the Company expensed to cost of goods sold, net warehouse club approximately \$165,000 related to the write off of inventory not covered by insurance. Additionally, the Company expensed to selling, general and administrative approximately \$34,000 in salaries related to the clean up and preparation of the warehouse club for reopening.

Cost of Goods Sold – The Company includes the cost of merchandise, food service and bakery raw materials, and one hour photo supplies in cost of goods sold. The Company also includes in cost of goods sold the external and internal distribution and handling costs for supplying merchandise, raw materials and supplies to the warehouse clubs. External costs include inbound freight, duties, drayage, fees, insurance, and non-recoverable value-added tax related to inventory shrink, spoilage and damage. Internal costs include payroll and related costs, utilities, consumable supplies, repair and maintenance, rent expense, building and equipment depreciation at the Company's distribution facilities and payroll and other direct costs for in store demonstrations.

Vendor consideration consists primarily of volume rebates, time-limited product promotions, slotting fees, demonstration reimbursements and prompt payment discounts. Volume rebates that are not threshold based are incorporated into the unit cost of merchandise reducing the inventory cost and cost of goods sold. Volume rebates that are threshold based are recorded as a reduction to cost of goods sold when the Company achieves established purchase levels that are confirmed by the vendor in writing or upon receipt of funds. On a quarterly basis, the Company calculates the amount of rebates recorded in cost of goods sold that relates to inventory on hand and this amount is reclassified as a reduction to inventory, if significant. Product promotions are generally linked to coupons that provide for reimbursement to the Company from vendor rebates for the product being promoted. Slotting fees are related to consideration received by the Company from vendors for preferential "end cap" placement of the vendor's products within the warehouse club. Demonstration reimbursements are related to consideration received by the Company from vendors for the in store promotion of the vendors' products. The Company records the reduction in cost of goods sold on a transactional basis for these programs. Prompt payment discounts are taken in substantially all cases, and therefore, are applied directly to reduce the acquisition cost of the related inventory, with the resulting effect recorded to cost of goods sold when the inventory is sold.

Selling, General and Administrative – Selling, general and administrative costs are comprised primarily of expenses associated with warehouse operations. Warehouse operations include the operating costs of the Company's warehouse clubs, including all payroll and related costs, utilities, consumable supplies, repair and maintenance, rent expense, building and equipment depreciation, and bank and credit card processing fees. Also included in selling, general and administrative expenses are the payroll and related costs for the Company's U.S. and regional purchasing and management centers.

Pre-Opening Costs – The Company expenses pre-opening costs (the costs of start-up activities, including organization costs and rent) as incurred.

Asset Impairment Costs – The Company periodically evaluates its long-lived assets for indicators of impairment. Management's judgments are based on market and operational conditions at the time of the evaluation and can include management's best estimate of future business activity. These periodic evaluations could cause management to conclude that impairment factors exist, requiring an adjustment of these assets to their then-current fair value. Future business conditions and/or activity could differ materially from the projections made by management causing the need for additional impairment charges.

Contingencies and Litigation – The Company records and reserves for loss contingencies if (a) information available prior to issuance of the consolidated financial statements indicates that it is probable that an asset had been impaired or a liability had been incurred at the date of the consolidated financial statements and (b) the amount of loss can be reasonably estimated. If one or both criteria for accrual are not met, but there is at least a reasonable possibility that a loss will occur, the Company does not record and reserve for a loss contingency but describes the contingency within a note and provides detail, when possible, of the estimated potential loss or range of loss. If an estimate cannot be made, a statement to that effect is made.

Foreign Currency Translation – The assets and liabilities of the Company's foreign operations are translated to U.S. dollars when the functional currency in the Company's international subsidiaries is the local currency and not U.S. dollars. Assets and liabilities of these foreign subsidiaries are translated to U.S. dollars at the exchange rate on the balance sheet date, and revenue, costs and expenses are translated at average rates of exchange in effect during the period. The corresponding translation gains and losses are recorded as a component of accumulated other comprehensive income or loss. These adjustments will affect

PRICESMART, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

net income upon the sale or liquidation of the underlying investment. Monetary assets and liabilities denominated in currencies other than the functional currency of the respective entity (primarily U.S. dollars) are revalued to the functional currency using the exchange rate on the balance sheet date. These foreign exchange transaction gains (losses), including transactions recorded involving these monetary assets and liabilities, are recorded as Other income (expense) in the consolidated statements of income. The following table summarizes the amounts recorded for the twelve month periods ending August 31, 2015, 2014, and 2013 (in thousands):

	Twelve Months Ended		
	August 31, 2015	August 31, 2014	August 31, 2013
Currency gain (loss)	\$ (4,388)	\$ 984	\$ (954)

Income Taxes –The Company accounts for income taxes using the asset and liability method. Under the asset and liability method, deferred tax assets and liabilities are recognized for the future tax consequences attributed to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences and carry-forwards are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance is established when necessary to reduce deferred tax assets to amounts expected to be realized.

The Company and its subsidiaries are required to file federal and state income tax returns in the United States and various other tax returns in foreign jurisdictions. The preparation of these tax returns requires the Company to interpret the applicable tax laws and regulations in effect in such jurisdictions, which could affect the amount of tax paid by the Company. The Company, in consultation with its tax advisors, bases its tax returns on interpretations that are believed to be reasonable under the circumstances. The tax returns, however, are subject to routine reviews by the various federal, state and foreign taxing authorities in the jurisdictions in which the Company or one of its subsidiaries files tax returns. As part of these reviews, a taxing authority may disagree with respect to the income tax positions taken by the Company (“uncertain tax positions”) and, therefore, require the Company or one of its subsidiaries to pay additional taxes.

The Company accrues an amount for its estimate of probable additional income tax liability. In certain cases, the impact of an uncertain income tax position on the income tax return must be recognized at the largest amount that is more-likely-than-not to be sustained upon audit by the relevant tax authority. An uncertain income tax position will not be recognized if it has less than 50% likelihood of being sustained. This requires significant judgment, the use of estimates, and the interpretation and application of complex tax laws. When facts and circumstances change, the Company reassesses these probabilities and records any changes in the consolidated financial statements as appropriate. There were no material changes in the Company's uncertain income tax positions for the periods ended on August 31, 2015 and August 31, 2014. However, during the fiscal year 2014, the Company was required to make payments of \$4.2 million to the governments in two countries with respect to income tax cases that it is currently appealing and in which it believes it will eventually prevail. These amounts have been recorded in the balance sheet as Other non-current assets, as the Company considers this a payment on account and expects to get a refund thereof upon eventually prevailing on these cases, but is unsure of the timing thereof. Furthermore, during the first quarter of fiscal year 2015, one of the Company's subsidiaries received provisional assessments claiming \$2.5 million of taxes, penalties and interest related to withholding taxes on certain charges for services rendered by the Company. In addition, this subsidiary received provisional assessments totaling \$5.2 million for lack of deductibility of the underlying service charges due to the lack of withholding. Based on a review of the Company's tax advisers' interpretation of local law, rulings and jurisprudence (including Supreme Court precedents with respect to the deductibility assessment), the Company expects to prevail in both instances and has not recorded a provision for these assessments. Also, in another country, beginning in fiscal year 2015, a new minimum income tax mechanism took effect, which requires the Company to pay taxes based on a percentage of sales rather than income. As a result, the Company is making income tax payments substantially in excess of those it would expect to pay based on taxable income. The current rules (which the Company has appealed) do not allow the Company to obtain a refund or offset this excess income tax against other taxes. As of August 31, 2015, the Company currently has an outstanding income tax receivable of \$691,000 in this country, and the Company had deferred tax assets of approximately \$1.5 million outstanding as of that date. The Company has not placed any type of allowance on the recoverability of these tax receivables or deferred income taxes, because the Company believes that it is more likely than not that it will succeed in its appeal on the matter.

The Company has not provided for U.S. deferred taxes on cumulative non-U.S. undistributed earnings as such earnings are deemed by the Company to be indefinitely reinvested. It is not practicable to determine the U.S. federal income tax liability that would be associated with such earnings because of the complexity of the computation.

PRICESMART, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Recent Accounting Pronouncements

FASB ASC 330 ASU 2015-11 -Inventory (Topic 330): Simplifying the Measurement of Inventory

In July 2015, the FASB issued guidance that will require an entity to measure in scope inventory at the lower of cost and net realizable value. Net realizable value is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. Subsequent measurement is unchanged for inventory measured using LIFO or the retail inventory method. This amendment applies to entities that measure inventory value using the average cost method. The amendments in this Update more closely align the measurement of inventory in GAAP with the measurement of inventory in International Financial Reporting Standards.

The amendment in this ASU is effective on a prospective basis for public entities for fiscal years beginning after December 15, 2016, including interim periods within those fiscal years. Early application is permitted as of the beginning of an interim or annual reporting period. Adoption of this guidance is not expected to have a material impact on the Company's consolidated financial statements.

FASB ASC 350 ASU 2015-05 - Customers accounting for fees paid in a cloud computing arrangement

In April 2015, the FASB issued amended guidance on about whether a cloud computing arrangement includes a software license. If a cloud computing arrangement includes a software license, then the customer should account for the software license element of the arrangement consistent with the acquisition of other software licenses. If a cloud computing arrangement does not include a software license, the customer should account for the arrangement as a service contract. The amendments do not change the accounting for a customer's accounting for service contracts.

The amendments in this ASU are effective for public entities for annual periods, including interim periods within those annual periods, beginning after December 15, 2015. Early adoption is permitted. An entity can elect to adopt the amendments either: (1) prospectively to all arrangements entered into or materially modified after the effective date; or (2) retrospectively. Adoption of this guidance is not expected to have a material impact on the Company's consolidated financial statements.

FASB ASC 606 ASU 2014-09 - Revenue from contracts with customers.

In May 2014, the FASB issued amended guidance on contracts with customers to transfer goods or services or contracts for the transfer of nonfinancial assets, unless those contracts are within the scope of other standards (e.g., insurance contracts or lease contracts). The guidance requires an entity to recognize revenue on contracts with customers relating to the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance requires that an entity depict the consideration by applying the following steps:

- Step 1: Identify the contract(s) with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

The amendments in this ASU were deferred by ASU 2015-14 for all entities by one year and is effective for annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period. Earlier application is permitted only as of annual reporting periods beginning after December 15, 2016, including interim reporting periods within that reporting period. This amendment is to be either retrospectively adopted to each prior reporting period presented or retrospectively with the cumulative effect of initially applying this ASU recognized at the date of initial application. Adoption of this guidance is not expected to have a material impact on the Company's consolidated financial statements.

PRICESMART, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

NOTE 3 – PROPERTY AND EQUIPMENT, NET

Property and equipment are stated at historical cost. The historical cost of acquiring an asset includes the costs incurred to bring it to the condition and location necessary for its intended use. Depreciation is computed on the straight-line basis over the estimated useful lives of the assets. The useful life of fixtures and equipment ranges from three to 15 years and that of certain components of building improvements and buildings from 10 to 25 years. Leasehold improvements are amortized over the shorter of the life of the improvement or the expected term of the lease. In some locations, leasehold improvements are amortized over a period longer than the initial lease term where management believes it is reasonably assured that the renewal option in the underlying lease will be exercised because an economic penalty may be incurred if the option is not exercised. The sale or purchase of property and equipment is recognized upon legal transfer of property. For property and equipment sales, if any long-term notes are carried by the Company as part of the sales terms, the sale is reflected at the net present value of current and future cash streams.

Property and equipment consist of the following (in thousands):

	August 31,	
	2015	2014
Land and land improvements	\$ 128,071	\$ 124,082
Building and building improvements	278,982	244,485
Fixtures and equipment	164,916	148,143
Construction in progress	26,679	55,664
Total property and equipment, historical cost	598,648	572,374
Less: accumulated depreciation	(165,608)	(146,049)
Property and equipment, net	\$ 433,040	\$ 426,325

Depreciation and amortization expense (in thousands):

	Years Ended August 31,		
	2015	2014	2013
Depreciation and amortization expense	\$ 34,445	\$ 28,475	\$ 24,444

The Company capitalizes interest on expenditures for qualifying assets over a period that covers the duration of the activities required to get the asset ready for its intended use, provided that expenditures for the asset have been made and interest cost is being incurred. Interest capitalization continues as long as those activities and the incurrence of interest cost continue. The amount capitalized in an accounting period is determined by applying the capitalization rate (average interest rate) to the average amount of accumulated expenditures for the qualifying asset during the period. The capitalization rates are based on the interest rates applicable to borrowings outstanding during the period.

Total interest capitalized (in thousands):

	As of August 31, 2015	As of August 31, 2014
Total interest capitalized	\$ 6,961	\$ 6,542

Total interest capitalized (in thousands):

	Twelve Months Ended August 31,		
	2015	2014	2013
Interest capitalized	\$ 1,055	\$ 1,482	\$ 1,353

A summary of asset disposal activity for fiscal years 2015, 2014 and 2013 is as follows (in thousands):

	Historical Cost	Accumulated Depreciation	Proceeds from disposal	Gain/(Loss) recognized
Fiscal Year 2015	\$ 11,740	\$ 9,367	\$ 368	\$ (2,005)
Fiscal Year 2014	\$ 14,733	\$ 13,146	\$ 142	\$ (1,445)
Fiscal Year 2013	\$ 5,282	\$ 4,129	\$ 264	\$ (889)

PRICESMART, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The Company acquired beneficial rights to land in the municipality of Chia, Colombia, which is a northern suburb of Bogota, in May 2015. The Company announced on October 26, 2015 that it received all permits required for the construction and operation of its seventh warehouse club in Colombia on this site. The Company plans to commence construction in November 2015 and currently anticipates that this club will open in fall 2016.

The Company recorded within accounts payable and other accrued expenses approximately \$458,000 and \$1.5 million, respectively, as of August 31, 2015 and \$2.9 million and \$1.2 million, respectively, as of August 31, 2014 of liabilities related to the acquisition and/or construction of property and equipment.

NOTE 4 – EARNINGS PER SHARE

The Company presents basic net income per share using the two-class method. The two-class method is an earnings allocation formula that treats a participating security as having rights to earnings that otherwise would have been available to common stockholders and that determines basic net income per share for each class of common stock and participating security according to dividends declared (or accumulated) and participation rights in undistributed earnings that would have been available to common stockholders. A participating security is defined as a security that may participate in undistributed earnings with common stock. The Company's capital structure includes securities that participate with common stock on a one-for-one basis for distribution of dividends. These are the restricted stock awards and restricted stock units authorized within the 2013 Equity Incentive Award Plan. The Company determines the diluted net income per share by using the more dilutive of the two class-method or the treasury stock method and by including the basic weighted average of outstanding stock options in the calculation of diluted net income per share under the two-class method and including all potential common shares assumed issued in the calculation of diluted net income per share under the treasury stock method.

The following table sets forth the computation of net income per share for the twelve months ended August 31, 2015, 2014 and 2013 (in thousands, except per share amounts):

	Years Ended August 31,		
	2015	2014	2013
Net Income	\$ 89,124	\$ 92,886	\$ 84,265
Less: Allocation of income to unvested stockholders	(1,137)	(1,652)	(1,780)
Net earnings available to common stockholders	\$ 87,987	\$ 91,234	\$ 82,485
Basic weighted average shares outstanding	29,848	29,747	29,647
Add dilutive effect of stock options and restricted stock units (two-class method)	7	10	10
Diluted average shares outstanding	29,855	29,757	29,657
Basic net income per share	\$ 2.95	\$ 3.07	\$ 2.78
Diluted net income per share	\$ 2.95	\$ 3.07	\$ 2.78

NOTE 5 – STOCKHOLDERS' EQUITY

Dividends

The following table summarizes the dividends declared and paid during fiscal years 2015, 2014 and 2013.

Declared	Amount	First Payment			Second Payment		
		Record Date	Date Paid	Amount	Record Date	Date Paid	Amount
2/4/15	\$ 0.70	2/13/15	2/27/15	\$ 0.35	8/14/15	8/31/15	\$ 0.35
1/23/14	\$ 0.70	2/14/14	2/28/14	\$ 0.35	8/15/14	8/29/14	\$ 0.35
11/27/12	\$ 0.60	12/10/12	12/21/12	\$ 0.30	8/15/13	8/30/13	\$ 0.30

The Company anticipates the ongoing payment of semi-annual dividends in subsequent periods, although the actual declaration of future dividends, the amount of such dividends, and the establishment of record and payment dates is subject to final determination by the Board of Directors at its discretion after its review of the Company's financial performance and anticipated capital requirements.

PRICESMART, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Comprehensive Income and Accumulated Other Comprehensive Loss

The following table discloses the changes in each component of other comprehensive income (loss), net of tax (in thousands):

	<u>Foreign currency translation adjustments</u>	<u>Defined benefit pension plan</u>	<u>Derivative Instruments</u>	<u>Total</u>
(Amounts in thousands and net of income taxes)				
Balances as of August 31, 2012	\$ (31,962)	\$ (74)	\$ (1,146)	\$ (33,182)
Other comprehensive income (loss)	(10,359)	(68)	2,144 ⁽¹⁾	(8,283)
Amounts reclassified from accumulated other comprehensive income (loss)	—	(10) ⁽²⁾	—	(10)
Balances as of August 31, 2013	(42,321)	(152)	998	(41,475)
Other comprehensive income (loss)	(8,089)	260	101 ⁽¹⁾	(7,728)
Amounts reclassified from accumulated other comprehensive income (loss)	—	5 ⁽²⁾	(88) ⁽¹⁾⁽³⁾	(83)
Balances as of August 31, 2014	\$ (50,410)	\$ 113	\$ 1,011	\$ (49,286)
Other comprehensive income (loss)	(48,863)	65	(3,037) ⁽¹⁾	(51,835)
Amounts reclassified from accumulated other comprehensive income (loss)	—	(291) ⁽²⁾	(100) ⁽¹⁾⁽³⁾	(391)
Balances as of August 31, 2015	\$ (99,273)	\$ (113)	\$ (2,126)	\$ (101,512)

⁽¹⁾ See Note 12 - Derivative Instruments and Hedging Activities.

⁽²⁾ Amounts reclassified from accumulated other comprehensive income (loss) related to the minimum pension liability are included in warehouse club operations in the Company's Consolidated Statements of Income.

⁽³⁾ Amounts reclassified from accumulated other comprehensive income (loss) for settlement of derivative instruments are included in other income (expense), net in the Company's Consolidated Statements of Income.

Retained Earnings Not Available for Distribution

The following table summarizes retained earnings designated as legal reserves of various subsidiaries which cannot be distributed as dividends to PriceSmart, Inc. according to applicable statutory regulations (in thousands):

	<u>August 31, 2015</u>	<u>August 31, 2014</u>
Retained earnings not available for distribution	\$ 5,015	\$ 4,556

PRICESMART, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

NOTE 6 – POST EMPLOYMENT PLANS

Defined Contribution Plans

PriceSmart offers a defined contribution 401(k) retirement plan to its U.S. employees, which allows employees to enroll in the plan after 90 days of employment. Enrollment in these plans begins on the first of the month following the employee's eligibility. The Company makes nondiscretionary contributions to the 401(k) plan with a 4% "Company Contribution" based on the employee's salary regardless of the employee's own contributions to the plan up to the IRS maximum allowed. Employer contributions to the 401(k) plan for the Company's U.S. employees were \$1.3 million, \$1.2 million and \$1.1 million during fiscal years 2015, 2014 and 2013, respectively.

Defined Benefit Plans

Some of the Company's subsidiaries are parties to unfunded post-employment benefit plans in which the subsidiary is required to pay a specified benefit upon retirement, voluntary departure or death of the employee. The amount of the benefit is predetermined by a formula based on the employee's earnings history, tenure of service and age. Because the obligation to provide benefits arises as employees render the services necessary to earn the benefits pursuant to the terms of the plan, the Company recognizes the cost of providing the benefits over the projected employee service periods. These payments are only due if an employee reaches certain thresholds, such as tenure and/or age. Therefore, these plans are treated as defined benefit plans. For these defined benefit plans, the Company has engaged actuaries to assist with estimating the current costs associated with these future benefits. The liabilities for these unfunded plans are recorded as non-current liabilities.

The following table summarizes the amount of the funding obligation and the line items in which it is recorded on the consolidated balance sheets and consolidated statements of income as of and for the fiscal years ended August 31, 2015 and 2014 (in thousands):

	Other Long-Term		Accumulated Other		Operating Expenses		
	Liability		Comprehensive				
			Loss				
	Year Ended August 31,						
	2015	2014	2015	2014	2015	2014	2013
Start of Period	\$ (628)	\$ (604)	\$ (148)	\$ 204	\$ —	\$ —	\$ —
Service cost	66	(355)		—	192	356	106
Interest cost	(21)	(14)	—	—	21	14	17
Prior service cost (including amortization)	(311)	—	407	(15)	(232)	15	15
Actuarial gains/(losses)	87	345	(87)	(337)	(91)	(8)	(27)
Totals	<u>\$ (807)</u>	<u>\$ (628)</u>	<u>\$ 172</u>	<u>\$ (148)</u> ⁽¹⁾	<u>\$ (110)</u>	<u>\$ 377</u>	<u>\$ 111</u>

⁽¹⁾ The Company has recorded a deferred tax (liability)/asset of \$59,000 and \$(35,000) as of August 31, 2015 and 2014, respectively, relating to the unrealized expense on defined benefit plans. The Company also recorded accumulated other comprehensive income (loss), net of tax, for \$(113,000) and \$113,000 as of August 31, 2015 and 2014, respectively.

PRICESMART, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The valuation assumptions used to calculate the liability for the defined benefit plans differ based on the country where the plan applies. These assumptions are summarized as follows:

Valuation Assumptions:	Year Ended August 31,	
	2015	2014
Discount rate	1.5% to 10.8%	1.5%
Future salary escalation	3.0% to 5.5%	5.0%
Percentage of employees assumed to withdraw from Company without a benefit (“turnover”)	3.5% to 19.5%	17.0%
Percentage of employees assumed to withdraw from Company with a benefit (“disability”)	0.5% to 11.4%	0.5%

Other Post-Employment Plans

Other Company subsidiaries are parties to funded and unfunded post-employment benefit plans based on services that the employees have rendered. These plans require the Company to pay a specified benefit on retirement, voluntary departure or death of the employee, or monthly payments to an external fund manager. The amount of these payments is predetermined by a formula based on the employee's earnings history and tenure of service. Since the obligation to provide benefits are based on services that the employees have rendered, the cost associated with providing the benefits is recognized as the employee provides those services. The employees' rights to receive payment on these plans are not dependent on their reaching certain thresholds like age or tenure. For these post-employment benefit plans, the Company has accrued liabilities that are recorded as accrued salaries and benefits and other long-term liabilities. The following table summarizes the amounts recorded on the balance sheet and amounts expensed on the consolidated statements of income (in thousands):

	Accrued Salaries and Benefits		Other Long-Term Liability		Restricted Cash Held ⁽¹⁾		Operating Expenses		
	Years Ended August 31,								
	2015	2014	2015	2014	2015	2014	2015	2014	2013
Other Post Employment Plans	\$ (397)	\$ (341)	\$ (1,950)	\$ (929)	\$ 1,403	\$ 1,226	\$ 2,817	\$ 1,628	\$ 1,296

⁽¹⁾ With some locations, local statutes require the applicable Company subsidiary to deposit cash in its own name with designated fund managers. The funds earn interest which the Company recognizes as interest income.

PRICESMART, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

NOTE 7 – STOCK-BASED COMPENSATION

The three types of equity awards offered by the Company are stock options (“options”), restricted stock awards (“RSAs”) and restricted stock units (“RSUs”). Compensation related to options is accounted for by applying the valuation technique based on the Black-Scholes model. Compensation related to RSAs and RSUs is based on the fair market value at the time of grant with the application of an estimated forfeiture rate. The Company recognizes the compensation cost related to these awards over the requisite service period as determined by the grant, amortized ratably or on a straight line basis over the life of the grant. The Company utilizes “modified grant-date accounting” for true-ups due to actual forfeitures at the vesting dates. The Company records the tax savings resulting from tax deductions in excess of expense for stock-based compensation as additional paid-in capital and the tax deficiency resulting from stock-based compensation in excess of the related tax deduction as a reduction in paid-in capital, based on the Tax Law Ordering method. In addition, the Company reflects the tax savings (deficiency) resulting from the taxation of stock-based compensation as a financing cash flow in its consolidated statement of cash flows, rather than as operating cash flows.

RSAs have the same cash dividend and voting rights as other common stock and are considered to be currently issued and outstanding shares of common stock. Shares of common stock subject to RSUs are not issued nor outstanding until vested, and RSUs do not have the same dividend and voting rights as common stock. However, all outstanding RSUs have accompanying dividend equivalents, requiring payment to the employees and directors with unvested RSUs of amounts equal to the dividend they would have received had the shares of common stock underlying the RSUs been actually issued and outstanding. Payments of dividend equivalents to employees are recorded as compensation expense.

The Company adopted the 2013 Equity Incentive Award Plan (the "2013 Plan") for the benefit of its eligible employees, consultants and non-employee directors on January 22, 2013. The 2013 Plan provides for awards covering up to (1) 600,000 shares of common stock plus (2) the number of shares that remained available for issuance as of January 22, 2013 under three equity participation plans previously maintained by the Company. The number of shares reserved for issuance under the 2013 Plan increases during the term of the plan by the number of shares relating to awards outstanding under the 2013 Plan or any of the prior plans that expire, or are forfeited, terminated, canceled or repurchased, or are settled in cash in lieu of shares. However, in no event will more than an aggregate of 1,233,897 shares of the Company’s common stock be issued under the 2013 Plan. The following table summarizes the shares authorized and shares available for future grants:

	Shares authorized	Shares available to grant	
		August 31, 2015	August 31, 2014
2013 Plan	888,353	847,876	821,124

The following table summarizes the components of the stock-based compensation expense for the twelve-month periods ended August 31, 2015, 2014 and 2013 (in thousands), which are included in general and administrative expense and warehouse club operations in the consolidated statements of income:

	Year Ended August 31,		
	2015	2014	2013
Options granted to directors	\$ 86	\$ 91	\$ 113
Restricted stock awards	4,599	5,326	5,268
Restricted stock units	1,284	1,034	921
Stock-based compensation expense	\$ 5,969	\$ 6,451	\$ 6,302

PRICESMART, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The following table summarizes various concepts related to stock-based compensation as of and for the years ended August 31, 2015, 2014 and 2013:

	August 31,		
	2015	2014	2013
Remaining unrecognized compensation cost (in thousands)	\$ 18,421	\$ 21,196	\$ 25,450
Weighted average period of time over which this cost will approximately be recognized (years)	5	6	7
Excess tax benefit (deficiency) on stock-based compensation (in thousands)	\$ 1,206	\$ 1,489	\$ 1,336

The Company began issuing restricted stock awards in fiscal year 2006 and restricted stock units in fiscal year 2008. The restricted stock awards and units vest over a five to ten year period and the unvested portion of the award is forfeited if the employee or non-employee director leaves the Company before the vesting period is completed. Restricted stock awards and units activity for the twelve-months ended August 31, 2015, 2014 and 2013 was as follows:

	Year Ended August 31,		
	2015	2014	2013
Grants outstanding at beginning of period	488,416	623,424	700,893
Granted	36,382	14,828	62,046
Forfeited	(10,738)	(2,669)	(3,021)
Vested	(148,039)	(147,167)	(136,494)
Grants outstanding at end of period	366,021	488,416	623,424

The following table summarizes the weighted average per share grant date fair value for restricted stock awards and units for the twelve-months of fiscal years 2015, 2014 and 2013:

Weighted Average Grant Date Fair Value	Year Ended August 31,		
	2015	2014	2013
Restricted stock awards and units granted	\$ 88.40	\$ 105.76	\$ 80.79
Restricted stock awards and units vested	\$ 45.20	\$ 39.91	\$ 39.33
Restricted stock awards and units forfeited	\$ 65.67	\$ 54.21	\$ 30.88

The following table summarizes the total fair market value of restricted stock awards and units vested for the period (in thousands):

	Twelve Months Ended August 31,		
	2015	2014	2013
Total fair market value of restricted stock awards and units vested	\$ 13,192	\$ 13,797	\$ 10,673

PRICESMART, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

At the vesting dates of restricted stock awards, the Company repurchases shares at the prior day's closing price per share, with the funds used to pay the employees' minimum statutory tax withholding requirements. The Company expects to continue this practice going forward. The following table summarizes this activity during the period:

	Twelve Months Ended August 31,		
	2015	2014	2013
Shares repurchased	52,396	50,898	44,460
Cost of repurchase of shares (in thousands) \$	\$ 4,677	\$ 4,773	\$ 3,467

The Company reissues treasury shares as part of its stock-based compensation programs. The following table summarizes the treasury shares reissued during the period:

	Twelve Months Ended August 31,		
	2015	2014	2013
Reissued treasury shares	—	—	—

The following table summarizes the stock options outstanding:

	August 31, 2015	August 31, 2014
Stock options outstanding	20,000	23,000

Due to the substantial shift from the use of stock options to restricted stock awards and units, the Company believes stock option activity is no longer significant and that any further disclosure on options is not necessary.

NOTE 8 – COMMITMENTS AND CONTINGENCIES

Legal Proceedings

From time to time, the Company and its subsidiaries are subject to legal proceedings, claims and litigation arising in the ordinary course of business and property ownership. The Company evaluates such matters on a case by case basis, and vigorously contests any such legal proceedings or claims which the Company believes are without merit. The Company establishes an accrual for legal proceedings if and when those matters reach a stage where they present loss contingencies that are both probable and reasonably estimable. In such cases, there may be a possible exposure to loss in excess of any amounts accrued. The Company monitors those matters for developments that would affect the likelihood of a loss and the accrued amount, if any, thereof, and adjusts the amount as appropriate. If the loss contingency at issue is not both probable and reasonably estimable, the Company does not establish an accrual, but will continue to monitor the matter for developments that will make the loss contingency both probable and reasonably estimable. If it is at least a reasonable possibility that a material loss will occur, the Company will provide disclosure regarding the contingency. The Company believes that the final disposition of the pending legal proceedings, claims and litigation will not have a material adverse effect on its financial position, results of operations or liquidity. It is possible, however, that the Company's future results of operations for a particular quarter or fiscal year could be impacted by changes in circumstances relating to such matters.

Taxes

The Company is required to file federal and state tax returns in the United States and various other tax returns in foreign jurisdictions. The preparation of these tax returns requires the Company to interpret the applicable tax laws and regulations in effect in such jurisdictions, which could affect the amount of tax paid by the Company. The Company, in consultation with its tax advisors, bases its tax returns on interpretations that are believed to be reasonable under the circumstances. The tax returns, however, are subject to routine reviews by the various taxing authorities in the jurisdictions in which the Company files its returns. As part of these reviews, a taxing authority may disagree with respect to the interpretations the Company used to calculate its tax liability and therefore require the Company to pay additional taxes.

The Company accrues an amount for its estimate of probable additional income tax liability. In certain cases, the impact of an uncertain income tax position on the income tax return must be recognized at the largest amount that is more-likely-than-not to be sustained upon audit by the relevant tax authority. An uncertain income tax position will not be recognized if it has less than 50% likelihood of being sustained (see Note 9 - Income Taxes for additional information).

PRICESMART, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

In evaluating the exposure associated with various non-income tax filing positions, the Company accrues for probable and estimable exposures for non-income tax related tax contingencies. As of August 31, 2015 and 2014, the Company has recorded within other accrued expenses a total of \$4.1 million and \$3.1 million, respectively, for various non-income tax related tax contingencies.

While the Company believes the recorded liabilities are adequate, there are inherent limitations in projecting the outcome of litigation, in estimating probable additional income tax liability taking into account uncertain tax positions and in evaluating the probable additional tax associated with various non-income tax filing positions. As such, the Company is unable to make a reasonable estimate of the sensitivity to change of estimates affecting its recorded liabilities. As additional information becomes available, the Company assesses the potential liability and revises its estimates as appropriate.

During fiscal year 2014, the Company was required to make tax payments with respect to various income tax cases that it is currently appealing, and during the first quarter of fiscal year 2015, the Company received provisional tax assessments with respect to deductibility and withholdings. These payments and assessments are discussed in further detail within Note 9, Income Taxes.

Other Commitments

The Company is committed under non-cancelable operating leases for the rental of facilities and land (see Note 11 - Leases). The Company is also committed to non-cancelable construction services obligations for various warehouse club developments and expansions. As of August 31, 2015, the Company had approximately \$12.3 million in contractual obligations for construction services not yet rendered.

The Company has entered into a land purchase option agreement that has not been recorded as a commitment, for which the Company has recorded within the balance sheet approximately \$200,000 in restricted cash deposits and prepaid expenses. The land purchase option agreement can be canceled at the sole option of the Company. The Company does not have a time table of when or if it will exercise this land purchase option, due to the uncertainty related to the completion of the Company's due diligence review. The Company's due diligence review includes evaluations of the legal status of the property, the zoning and permitting issues related to acquiring approval for the construction and operation of a warehouse club and any other issues related to the property itself that could render the property unsuitable or limit the property's economic viability as a warehouse club site. If the purchase option agreement is exercised, the cash use would be approximately \$8.1 million.

See Note 14 - Unconsolidated Affiliates for a description of additional capital contributions that may be required in connection with joint ventures to develop commercial centers adjacent to PriceSmart warehouse clubs in Panama and Costa Rica.

The Company contracts for distribution center services in Mexico. The contract for this distribution center's services was renewed on December 31, 2014 for an additional three years, with the applicable fees and rates to be reviewed at the beginning of each calendar year. Future minimum service commitments related to this contract through the end of the contract term is approximately \$331,000.

PRICESMART, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

NOTE 9 – INCOME TAXES

Income from continuing operations before provision for income taxes and loss of unconsolidated affiliates includes the following components (in thousands):

	Years Ended August 31,		
	2015	2014	2013
United States	\$ 41,694	\$ 34,927	\$ 30,377
Foreign	94,902	99,322	92,834
Income from continuing operations before provision for income taxes and loss of unconsolidated affiliates	\$ 136,596	\$ 134,249	\$ 123,211

Significant components of the income tax provision are as follows (in thousands):

	Years Ended August 31,		
	2015	2014	2013
Current:			
U.S.	\$ 10,918	\$ 11,921	\$ 7,214
Foreign	33,676	29,120	29,054
Total	\$ 44,594	\$ 41,041	\$ 36,268
Deferred:			
U.S.	\$ 3,941	\$ 613	\$ 3,257
Foreign	(3,100)	(381)	(402)
Valuation allowance charge (release)	2,131	99	(181)
Total	\$ 2,972	\$ 331	\$ 2,674
Provision for income taxes	\$ 47,566	\$ 41,372	\$ 38,942

The reconciliation of income tax computed at the Federal statutory tax rate to the provision for income taxes is as follows (in percentages):

	Years Ended August 31,		
	2015	2014	2013
Federal tax provision at statutory rates	35.0%	35.0%	35.0%
State taxes, net of federal benefit	0.4	0.3	0.3
Differences in foreign tax rates	(4.2)	(5.2)	(3.7)
Permanent items and other adjustments	2.3	0.8	0.2
Increase (decrease) in Foreign valuation allowance	1.3	(0.1)	(0.2)
Provision for income taxes	34.8%	30.8%	31.6%

PRICESMART, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Significant components of the Company's deferred tax assets as of August 31, 2015 and 2014 are shown below (in thousands):

	<u>August 31,</u>	
	<u>2015</u>	<u>2014</u>
Deferred tax assets:		
U.S. net operating loss carryforward	\$ 4,611	\$ 5,977
Foreign tax credits	—	862
Deferred compensation	1,563	1,621
U.S. timing differences and alternative minimum tax credits	2,438	2,647
Foreign net operating losses	9,496	7,169
Foreign timing differences:		
Accrued expenses and other timing differences	5,441	2,935
Depreciation and Amortization	6,856	5,873
Deferred Income	3,879	3,688
Gross deferred tax assets	34,284	30,772
U.S. deferred tax liabilities (depreciation and other timing differences)	(3,761)	(2,354)
Foreign deferred tax liabilities netted against deferred tax assets	(4,670)	(2,066)
U.S. valuation allowance	(652)	(613)
Foreign valuation allowance	(9,887)	(7,737)
Net deferred tax assets	<u>\$ 15,314</u>	<u>\$ 18,002</u>

As of August 31, 2015 and 2014, the Company had net deferred tax liabilities of \$2.2 million and \$2.4 million, respectively, arising from timing differences in certain subsidiaries.

The effective tax rate for fiscal year 2015 is 34.8%, as compared to the effective tax rate for fiscal year 2014 of 30.8%. For fiscal year 2015, the increase in the effective rate versus the prior year was primarily attributable to the unfavorable impact of 3.4% resulting from an increased taxable loss incurred in the Company's Colombia subsidiary for which no tax benefit was recognized, net of adjustment to valuation allowance, and the non-recurrence of a favorable impact of 0.4% in the prior period from the tax effect of changes in foreign currency value.

For fiscal year 2015, management concluded that a valuation allowance continues to be necessary for certain U.S. and foreign deferred tax assets, primarily because of the existence of negative objective evidence, such as the fact that certain subsidiaries are in a cumulative loss position for the past three years, and the determination that certain net operating loss carryforward periods are not sufficient to realize the related deferred tax assets. The Company factored into its analysis the inherent risk of forecasting revenue and expenses over an extended period of time and also considered the potential risks associated with its business. The Company had net foreign deferred tax assets of \$11.1 million and \$9.9 million as of August 31, 2015 and 2014, respectively.

The Company has U.S. federal and state tax NOLs at August 31, 2015 and 2014 of approximately \$11.3 million and \$7.5 million, respectively. The federal and state NOLs generally expire during periods ranging from 2016 through 2027, unless previously utilized. In calculating the tax provision and assessing the likelihood that the Company will be able to utilize the deferred tax assets, the Company considered and weighed all of the evidence, both positive and negative, and both objective and subjective. The Company factored in the inherent risk of forecasting revenue and expenses over an extended period of time and considered the potential risks associated with its business. Using the Company's U.S. income from continuing operations and projections of future taxable income in the U.S., the Company was able to determine that there was sufficient positive evidence to support the conclusion that it was more likely than not that the Company would be able to realize substantially all of its U.S. NOLs by generating sufficient taxable income during the carry-forward period. However, the Company maintains a valuation allowance on substantially all of its state NOLs due to the adoption of single sale factor apportionment in California, which significantly reduces taxable income in this state.

The Company has determined that due to a deemed change of ownership (as defined in Section 382 of the Internal Revenue Code) in October 2004, there will be annual limitations in the amount of U.S. taxable income of approximately \$3.5 million that may be offset by NOLs. The Company does not believe this will impact the recoverability of these NOLs.

PRICESMART, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The Company does not provide for income taxes which would be payable if undistributed earnings of its foreign subsidiaries were remitted to the U.S., because the Company considers these earnings to be permanently reinvested as management has no plans to repatriate undistributed earnings and profits of foreign affiliates. As of August 31, 2015 and 2014, the undistributed earnings of these foreign subsidiaries are approximately \$405.2 million and \$326.9 million, respectively. Upon distribution of those earnings in the form of dividends or otherwise, the Company would be subject to both U.S. income taxes and withholding taxes payable to the foreign countries, but would also be able to offset unrecognized foreign tax credits. Determination of the amount of unrecognized deferred U.S. income tax liability is not practicable because of the complexities associated with its hypothetical calculation.

The Company accrues for the estimated additional amount of taxes for uncertain income tax positions if the likelihood of sustaining the tax position does not meet the more likely than not standard for recognition of tax benefits.

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows (in thousands):

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Balance at beginning of fiscal year	\$ 8,786	\$ 9,373	\$ 11,212
Additions based on tax positions related to the current year	—	964	349
Settlements	—	(1,093)	(191)
Expiration of the statute of limitations for the assessment of taxes	(627)	(458)	(1,997)
Balance at end of fiscal year	<u>\$ 8,159</u>	<u>\$ 8,786</u>	<u>\$ 9,373</u>

As of August 31, 2015, the liability for income taxes associated with uncertain tax benefits was \$8.2 million and can be reduced by \$7.4 million of tax benefits associated with timing adjustments which are recorded as deferred tax assets and liabilities. The net amount of \$800,000, if recognized, would favorably affect the Company's financial statements and favorably affect the Company's effective income tax rate.

The Company expects changes in the amount of unrecognized tax benefits in the next 12 months as the result of a lapse in various statutes of limitations. The lapse of statutes of limitations in the 12-month period ending August 31, 2016 could result in a total income tax benefit amounting up to \$320,000.

The Company recognizes interest and/or penalties related to income tax matters in income tax expense. As of August 31, 2015 and 2014, the Company had accrued \$619,000 and \$899,000, respectively, for the payment of interest and penalties (before income tax benefit).

The Company has various appeals pending before tax courts in its subsidiaries' jurisdictions. Any possible settlement could increase or decrease earnings but is not expected to be significant. Audit outcomes and the timing of audit settlements are subject to significant uncertainty. For example, during the fiscal year 2014, the Company was required to make payments of \$4.2 million to the governments in two countries with respect to various income tax cases that it is currently appealing, but the Company believes it will eventually prevail. These amounts have been recorded in the balance sheet as Other non-current assets, as the Company considers this a payment on account and expects to get a refund thereof upon eventually prevailing on these cases, but is unsure of the timing thereof. Furthermore, during the first quarter of fiscal year 2015, one of the Company's subsidiaries received provisional assessments claiming \$2.5 million of taxes, penalties and interest related to withholding taxes on certain charges for services rendered by the Company. In addition, during the first quarter of fiscal year 2015, this subsidiary received provisional assessments totaling \$5.2 million for lack of deductibility of the underlying service charges due to the lack of withholding. Based on a review of the Company's tax advisers' interpretation of local law, rulings and jurisprudence (including Supreme Court precedents with respect to the deductibility assessment), the Company expects to prevail in both instances and has not recorded a provision for these assessments.

PRICESMART, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The Company and its subsidiaries file income tax returns in the U.S. federal jurisdiction and various state and foreign jurisdictions. The Company is generally no longer subject to income tax examinations by tax authorities in its major jurisdictions except for the fiscal years subject to audit as set forth in the table below:

Tax Jurisdiction	Fiscal Years Subject to Audit
U.S. federal	2000 to 2005, 2007, 2012 to the present
California (U.S.) (state return)	2005, 2007 and 2011 to the present
Florida(U.S.) (state return)	2007 and 2012 to the present
Aruba	2012 to the present
Barbados	2009 to the present
Costa Rica	2012 to the present
Colombia	2010 to the present
Dominican Republic	2012 to the present
El Salvador	2009 to 2010 and 2012 to the present
Guatemala	2009, 2011 to the present
Honduras	2010, 2012 to the present
Jamaica	2009 to the present
Mexico	2011 to the present
Nicaragua	2011 to the present
Panama	2012 to the present
Trinidad	2009 to the present
U.S. Virgin Islands	2001 to the present
Spain	2013 to the present

Generally for U.S. federal and U.S. Virgin Islands tax reporting purposes, the statute of limitations is three years from the date of filing of the income tax return. If and to the extent the tax year resulted in a taxable loss, the statute is extended to three years from the filing date of the income tax return in which the carryforward tax loss was used to offset taxable income in the carryforward year. Given the historical losses in these jurisdictions and the Section 382 change in control limitations on the use of the tax loss carryforwards, there is uncertainty and significant variation as to when a tax year is no longer subject to audit.

NOTE 10 – DEBT

Short-term borrowings consist of lines of credit which are secured by certain assets of the Company and its subsidiaries. The short-term borrowing facilities are summarized below (in thousands):

	Total Amount of Facilities	Facilities Used		Facilities Available	Weighted average interest rate of loans outstanding
		Short-term Borrowings	Letters of Credit		
August 31, 2015	\$ 57,691	\$ 6,606	\$ 728	\$ 50,357	5.9%
August 31, 2014	\$ 61,869	\$ —	\$ 436	\$ 61,433	N/A

During the fiscal year 2014, PriceSmart, Inc. increased its short-term facilities by approximately \$15.0 million and established short-term facilities within its Colombia subsidiary of approximately \$10.9 million.

As of August 31, 2015, the Company had approximately \$40.0 million of short-term facilities in the U.S. that require compliance with certain quarterly financial covenants, which include debt service and leverage ratios. As of August 31, 2015 and August 31, 2014, the Company was in compliance with respect to these covenants. Each of the facilities expires annually and is normally renewed.

PRICESMART, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The following table provides the changes in the Company's long-term debt for the twelve months ended August 31, 2015:

<i>(Amounts in thousands)</i>	Current Portion of Long-term debt	Long-term debt	Total
Balances as of August 31, 2014	\$ 11,848	\$ 79,591	\$ 91,439 ⁽¹⁾
Proceeds from long-term debt incurred during the period:			
Costa Rica subsidiary	750	6,750	7,500
Panama subsidiary	1,000	9,000	10,000
Honduras subsidiary	2,450	14,400	16,850 ⁽²⁾
Colombia subsidiary	1,500	13,500	15,000
Trinidad subsidiary	907	2,720	3,627
Repayments of long-term debt:			
Repayment of loan by Honduras subsidiary, originally entered into on January 12, 2012 with Scotiabank El Salvador, S.A.	(3,200)	—	(3,200)
Partial repayment of loan by Honduras subsidiary, originally entered into on March 7, 2014 with Banco de America Central Honduras, S.A.	—	(5,000)	(5,000)
Repayment of loan by Honduras subsidiary, originally entered into on March 7, 2014 with Banco de America Central Honduras, S.A.	—	(8,195)	(8,195)
Repayment of loan by Honduras subsidiary, originally entered into on March 6, 2010 with Banco del Pais, S.A.	(87)	—	(87)
Repayment of loan by Trinidad subsidiary, originally entered into on August 26, 2008 with Royal Bank of Trinidad and Tobago, Ltd (RBTT)	(900)	(2,325)	(3,225)
Repayment of loans by Colombia subsidiary	(16,000)	(8,000)	(24,000) ⁽³⁾
Regularly scheduled loan payments	(1,054)	(10,145)	(11,199)
Reclassifications of long-term debt	21,554	(21,554)	—
Translation adjustments on foreign-currency debt of subsidiaries whose functional currency is not the U.S. dollar ⁽⁴⁾	(1,599)	2,623	1,024
Balances as of August 31, 2015	<u>\$ 17,169</u>	<u>\$ 73,365</u>	<u>\$ 90,534</u> ⁽⁵⁾

⁽¹⁾ The carrying amount on cash assets assigned as collateral for this total was \$24.6 million and the carrying amount on non-cash assets assigned as collateral for this total was \$84.2 million.

⁽²⁾ Proceeds from the loans consist of three loans for approximately \$3.4 million, \$5.0 million and \$8.5 million.

⁽³⁾ Represents pay down of \$16.0 million of Scotiabank & Trust (Cayman) Ltd. loans on March 14, 2011 and pay down of \$8.0 million under an amended Scotiabank and Trust (Cayman) Ltd loan entered into on January 31, 2012. Pay downs of loans were made through a derivative agreement, See Note 12.

⁽⁴⁾ These foreign currency translation adjustments are recorded within Other comprehensive income.

⁽⁵⁾ No cash assets were assigned as collateral for this total and the carrying amount on non-cash assets assigned as collateral for this total was \$104.1 million.

PRICESMART, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Long-term debt consists of the following types of loans (in thousands):

	August 31, 2015	August 31, 2014
Loans entered into by the Company's subsidiaries with a balloon payment due at the end of the loan term and with non-cash assets and/or cash or cash equivalents assigned as collateral and with/without established debt covenants	\$ 10,482	\$ 11,733
Loans entered into by the Company's subsidiaries for which the subsidiary has entered into an interest rate swap with non-cash assets and/or cash or cash equivalents assigned as collateral and with established debt covenants	34,050	28,200
Loans entered into by the Company's subsidiaries with non-cash assets and/or cash or cash equivalents assigned as collateral and with/without established debt covenants	15,465	28,974
Loans entered into by the Company's subsidiaries for which the subsidiary has entered into a cross-currency interest rate swap with non-cash assets and/or cash or cash equivalents assigned as collateral and with/without established debt covenants	30,537	22,532
Total long-term debt	90,534	91,439
Less: current portion	17,169	11,848
Long-term debt, net of current portion	\$ 73,365	\$ 79,591

As of August 31, 2015, the Company had approximately \$43.7 million of long-term loans in Trinidad, Panama, El Salvador and Honduras that require these subsidiaries to comply with certain annual or quarterly financial covenants, which include debt service and leverage ratios. As of August 31, 2015, the Company was in compliance with all covenants or amended covenants.

As of August 31, 2014, the Company had approximately \$62.5 million of long-term loans in Trinidad, Panama, El Salvador, Honduras and Colombia that require these subsidiaries to comply with certain annual or quarterly financial covenants, which include debt service and leverage ratios. As of August 31, 2014, the Company was in compliance with all covenants or amended covenants.

Annual maturities of long-term debt net of proceeds from hedging activities are as follows (in thousands):

Years Ended August 31,	Amount
2016	\$ 15,631
2017	12,306
2018	12,081
2019	22,810
2020	22,490
Thereafter	1,292
Total	\$ 86,610 ⁽¹⁾

⁽¹⁾ Amount includes the portion of the loans subject to cross-currency interest rate swaps, the Company has used the derivative obligation as of August 31, 2015, to disclose the future commitments in relation to the long-term debt and presented on the consolidated balance sheet.

PRICESMART, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

NOTE 11 – LEASES

The Company is committed under non-cancelable operating leases for the rental of facilities and land. These leases expire or become subject to renewal between January 29, 2016 and January 29, 2044.

As of August 31, 2015, the Company's warehouse clubs occupied a total of approximately 2,672,185 square feet of which 519,213 square feet were on leased property. The following is a summary of the warehouse clubs and Company facilities located on leased property:

Location	Facility Type	Date Opened	Approximate Square Footage	Current Lease Expiration Date	Remaining Option(s) to Extend
Salitre, Colombia ⁽¹⁾	Warehouse Club	October 29, 2014	98,566	January 29, 2044	20 years
Via Brazil, Panama	Warehouse Club	December 4, 1997	68,696	October 31, 2026	10 years
Miraflores, Guatemala	Warehouse Club	April 8, 1999	66,059	December 31, 2020	5 years
Pradera, Guatemala	Warehouse Club	May 29, 2001	48,438	May 28, 2021	none
Tegucigalpa, Honduras	Warehouse Club	May 31, 2000	64,735	May 30, 2020	none
Oranjestad, Aruba	Warehouse Club	March 23, 2001	64,627	March 23, 2021	10 years
Port of Spain, Trinidad	Warehouse Club	December 5, 2001	54,046	July 5, 2031	none
St. Thomas, U.S.V.I.	Warehouse Club	May 4, 2001	54,046	February 28, 2020	10 years
Barbados	Storage Facility	December 1, 2012	12,517	November 30, 2015	3 years
Chaguanas, Trinidad	Employee Parking	May 1, 2009	4,944	April 30, 2024	none
Chaguanas, Trinidad	Container Parking	April 1, 2010	65,340	March 31, 2015	none
Jamaica	Storage Facility	September 1, 2012	17,000	February 28, 2016	3 years
Santo Domingo, Dominican Republic	Central Offices	June 1, 2010	2,002	May 31, 2016	1 year
Bogota, Colombia	Central Offices	October 21, 2010	7,812	December 31, 2015	none
San Diego, CA ⁽²⁾	Corporate Headquarters	April 1, 2004	43,027	May 31, 2026	5 years
Miami, FL ⁽³⁾⁽⁴⁾	Distribution Facility	March 1, 2008	371,476	July 31, 2021	10 years
Panama	Central Offices	November 4, 2014	17,975	December 12, 2028	15 years
Costa Rica	Storage and Distribution Facility	January 28, 2013	37,674	January 29, 2016	3 years
Trinidad	Storage and Distribution Facility	August 18, 2014	17,110	August 17, 2017	none

⁽¹⁾ For the fiscal year 2015, the Company recorded expenses related to the property lease for the new club constructed for Bogota, Colombia ("Salitre") as pre-opening expenses through October 2014, the date the warehouse club was opened. Upon opening, these expenses are now recognized in warehouse club operations expense.

⁽²⁾ In September 2014, the Company executed a third amendment to include an additional 3,802 square feet of space and an extension on the term of the existing premises at its corporate headquarters. In January 2015, the Company executed a fourth amendment to include 2,799 square feet of space, in which the Company sub-leased all 2,799 square feet of space to another party through June 2016. The 2,799 square feet of space is not included in the above table.

⁽³⁾ In September 2014, the Company executed a second amendment to include an additional 26,400 square feet of space at its primary distribution center in Miami. Additionally, in September 2014, the Company executed a third amendment to include an additional 70,424 square feet of space at its primary distribution center in Miami.

⁽⁴⁾ The Company included the lease extensions of 10 years in the calculation of future minimum lease commitments.

PRICESMART, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The following table summarizes the components of rental expense charged for operating leases of open locations for fiscal years 2015, 2014 and 2013 (in thousands):

	Years ended August 31,		
	2015	2014	2013
Minimum rental payments	\$ 10,074	\$ 7,952	\$ 7,584
Deferred rent accruals	1,355	1,514	104
Total straight line rent expense	11,429	9,466	7,688
Contingent rental payments	3,137	3,220	2,950
Common area maintenance expense	1,321	1,212	1,074
Rental expense	<u>\$ 15,887</u>	<u>\$ 13,898</u>	<u>\$ 11,712</u>

Future minimum lease commitments for facilities under these leases with an initial term in excess of one year are as follows (in thousands):

Years Ended August 31,	Leased Locations⁽¹⁾
2016	\$ 7,540
2017	10,436
2018	10,576
2019	10,281
2020	9,950
Thereafter	96,137
Total	<u>\$ 144,920</u>

- ⁽¹⁾ Operating lease obligations have been reduced by approximately \$275,000 to reflect sub-lease income. Certain obligations under leasing arrangements are collateralized by the underlying asset being leased.

The following table summarizes the components of rental income recorded for operating leases for fiscal years 2015, 2014 and 2013 (in thousands):

	Years ended August 31,		
	2015	2014	2013
Minimum rental receipts	\$ 2,873	\$ 2,646	\$ 2,620
Deferred rent accruals	47	187	26
Total straight line rent income	2,920	2,833	2,646
Contingent rental receipts	86	59	98
Common maintenance area income	148	129	117
Rental income	<u>\$ 3,154</u>	<u>\$ 3,021</u>	<u>\$ 2,861</u>

The Company entered into leases as landlord for rental of land and/or building space for properties it owns. The following is a schedule of future minimum rental income on non-cancelable operating leases with an initial term in excess of one year from owned property as of August 31, 2015 (in thousands):

PRICESMART, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Years ended August 31,	Amount
2016	\$ 2,268
2017	1,379
2018	1,086
2019	885
2020	759
Thereafter	6,033
Total	\$ 12,410

NOTE 12 – DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

The Company is exposed to interest rate risk relating to its ongoing business operations. To manage interest rate exposure, the Company enters into hedge transactions (interest rate swaps) using derivative financial instruments. The objective of entering into interest rate swaps is to eliminate the variability of cash flows in the LIBOR interest payments associated with variable-rate loans over the life of the loans. As changes in interest rates impact the future cash flow of interest payments, the hedges provide a synthetic offset to interest rate movements.

In addition, the Company is exposed to foreign currency and interest rate cash flow exposure related to a non-functional currency long-term debt of one of its wholly owned subsidiaries. To manage this foreign currency and interest rate cash flow exposure, the Company's subsidiary entered into a cross-currency interest rate swap that converts its U.S. dollar denominated floating interest payments to functional currency fixed interest payments during the life of the hedging instrument. As changes in foreign exchange and interest rates impact the future cash flow of interest payments, the hedge is intended to offset changes in cash flows attributable to interest rate and foreign exchange movements.

These derivative instruments (cash flow hedging instruments) are designated and qualify as cash flow hedges, with the effective portion of the gain or loss on the derivative reported as a component of other comprehensive income (loss) and reclassified into earnings in the same period or periods during which the hedged transaction is determined to be ineffective. There were no such amounts recorded for ineffectiveness for the periods reported herein related to the interest rate or cross-currency interest rate swaps of long-term debt.

The Company is exposed to foreign-currency exchange-rate fluctuations in the normal course of business, including foreign-currency exchange-rate fluctuations on U.S. dollar denominated liabilities within its international subsidiaries whose functional currency is other than the U.S. dollar. The Company manages these fluctuations, in part, through the use of non-deliverable forward foreign-exchange contracts that are intended to offset changes in cash flow attributable to currency exchange movements. These contracts are intended primarily to economically address exposure to U.S. dollar merchandise inventory expenditures made by the Company's international subsidiaries whose functional currency is other than the U.S. dollar. Currently, these contracts do not qualify for derivative hedge accounting. The Company seeks to mitigate foreign-currency exchange-rate risk with the use of these contracts and does not intend to engage in speculative transactions. These contracts do not contain any credit-risk-related contingent features.

Cash Flow Hedges

As of August 31, 2015, all of the Company's interest rate swap and cross-currency interest rate swap derivative financial instruments are designated and qualify as cash flow hedges. The Company formally documents the hedging relationships for its derivative instruments that qualify for hedge accounting.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The following table summarizes agreements for which the Company has recorded cash flow hedge accounting transactions during the twelve months ended August 31, 2015:

Subsidiary	Date Entered into	Derivative Financial Counter-party	Derivative Financial Instruments	Initial US\$ Notional Amount	Bank US\$ loan Held with	Floating Leg (swap counter-party)	Fixed Rate for PSMT Subsidiary	Settlement Dates	Effective Period of swap
Costa Rica	28-Aug-15	Citibank, N.A. ("Citi")	Cross currency interest rate swap	\$ 7,500,000	Citibank, N.A.	Variable rate 3-month Libor plus 2.50%	7.65%	28th day of August, November, February, and May beginning on November 30, 2015	August 28, 2015 - August 28, 2020
Honduras	24-Mar-15	Citibank, N.A. ("Citi")	Cross currency interest rate swap	\$ 8,500,000	Citibank, N.A.	Variable rate 3-month Libor plus 3.25%	10.75%	24th day of March, June, September, and December beginning on June 24, 2015	March 24, 2015 - March 20, 2020
El Salvador	16-Dec-14	Bank of Nova Scotia ("Scotiabank")	Interest rate swap	\$ 4,000,000	Bank of Nova Scotia	Variable rate 30-day Libor plus 3.5%	4.78%	29th day of each month beginning on December 29, 2014	December 01, 2014 - August 29, 2019
Colombia	10-Dec-14	Citibank, N.A. ("Citi")	Cross currency interest rate swap	\$ 15,000,000	Citibank, N.A.	Variable rate 3-month Libor plus 2.8%	8.25%	4th day of March, June, Sept, Dec. beginning on March 4, 2015	December 4, 2014 - December 3, 2019
Panama	9-Dec-14	Bank of Nova Scotia ("Scotiabank")	Interest rate swap	\$ 10,000,000	Bank of Nova Scotia	Variable rate 30-day Libor plus 3.5%	5.159%	28th day of each month beginning December 29, 2014	November 28, 2014 - November 29, 2019
Honduras	23-Oct-14	Citibank, N.A. ("Citi")	Cross currency interest rate swap	\$ 5,000,000	Citibank, N.A.	Variable rate 3-month Libor plus 3.5%	11.6%	22nd day of January, April, July, and October beginning on January 22, 2015	October 22, 2014 - October 22, 2017
Panama	1-Aug-14	Bank of Nova Scotia ("Scotiabank")	Interest rate swap	\$ 5,000,000	Bank of Nova Scotia	Variable rate 30-day Libor plus 3.5%	4.89%	21st day of each month beginning on September 22, 2014	August 21, 2014 - August 21, 2019
Panama	22-May-14	Bank of Nova Scotia ("Scotiabank")	Interest rate swap	\$ 19,800,000	Bank of Nova Scotia	Variable rate 30-day Libor plus 3.5%	4.98%	4th day of each month beginning on June 4, 2014	May 5, 2014 - April 4, 2019
Panama	22-May-14	Bank of Nova Scotia ("Scotiabank")	Interest rate swap	\$ 3,970,000	Bank of Nova Scotia	Variable rate 30-day Libor plus 3.5%	4.98%	4th day of each month beginning on June 4, 2014	May 5, 2014 - April 4, 2019
Colombia	11-Dec-12	Bank of Nova Scotia ("Scotiabank")	Cross currency interest rate swap	\$ 8,000,000	Bank of Nova Scotia	Variable rate 3-month Libor plus 0.7%	4.79%	March, June, September and December, beginning on March 5, 2013	December 5, 2012 - December 5, 2014 Settled on December 5, 2014
Colombia	21-Feb-12	Bank of Nova Scotia ("Scotiabank")	Cross currency interest rate swap	\$ 8,000,000	Bank of Nova Scotia	Variable rate 3-month Libor plus 0.6%	6.02%	February, May, August and November beginning on May 22, 2012	Settled on August 6, 2015
Colombia	21-Oct-11	Bank of Nova Scotia ("Scotiabank")	Cross currency interest rate swap	\$ 2,000,000	Bank of Nova Scotia	Variable rate 3-month Libor plus 0.7%	5.30%	January, April, July and October, beginning on October 29, 2011	Settled on July 31, 2015
Colombia	21-Oct-11	Bank of Nova Scotia ("Scotiabank")	Cross currency interest rate swap	\$ 6,000,000	Bank of Nova Scotia	Variable rate 3-month Libor plus 0.7%	5.45%	March, June, September and December, beginning on December 29, 2011	Settled on July 31, 2015
Colombia	5-May-11	Bank of Nova Scotia ("Scotiabank")	Cross currency interest rate swap	\$ 8,000,000	Bank of Nova Scotia	Variable rate 3-month Libor plus 0.7%	6.09%	January, April, July and October, beginning on July 5, 2011	Settled on July 23, 2015

PRICESMART, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

For the twelve-month periods ended August 31, 2015, 2014, and 2013 the Company included the gain or loss on the hedged items (that is, variable-rate borrowings) in the same line item—interest expense—as the offsetting gain or loss on the related interest rate swaps as follows (in thousands):

Income Statement Classification	Interest expense on Borrowings ⁽¹⁾	Loss on Swaps ⁽²⁾	Interest expense
Interest expense for the year ended August 31, 2015	\$ 2,205	\$ 2,827	\$ 5,032
Interest expense for the year ended August 31, 2014	\$ 674	\$ 1,632	\$ 2,306
Interest expense for the year ended August 31, 2013	\$ 739	\$ 1,821	\$ 2,560

⁽¹⁾ This amount is representative of the interest expense recognized on the underlying hedged transactions.

⁽²⁾ This amount is representative of the interest expense recognized on the interest rate and cross-currency interest rate swaps designated as cash flow hedging instruments.

The total notional balance of the Company's pay-fixed/receive-variable interest rate swaps and cross-currency interest rate swaps was as follows (in thousands):

Floating Rate Payer (Swap Counterparty)	Notional Amount as of August 31,	
	2015	2014
Scotiabank	\$ 37,458	\$ 52,200
Citibank N.A.	34,287	—
Total	<u>\$ 71,745</u>	<u>\$ 52,200</u>

The following table summarizes the fair value of interest rate swap and cross-currency interest rate swap derivative instruments that qualify for derivative hedge accounting (in thousands, except footnote data):

Derivatives designated as cash flow hedging instruments	August 31, 2015		August 31, 2014	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
	Prepaid expenses and other current assets (Cross-currency interest rate swaps)	\$ —	Prepaid expenses and other current assets (Cross- currency interest rate swaps)	\$ 495
Cross-currency interest rate swaps ⁽¹⁾⁽²⁾	Other non-current assets	4,129	Other non-current assets	970
Cross-currency interest rate swaps ⁽¹⁾⁽²⁾	Other non-current assets	—	Other non-current assets	125
Interest rate swaps ⁽³⁾	Other long-term liabilities	(387)	Other long-term liabilities	—
Interest rate swaps ⁽³⁾	Other long-term liabilities	(1,312)	Other long-term liabilities	—
Cross currency interest rate swap ⁽⁴⁾				
Net fair value of derivatives designated as hedging instruments - assets (liability) ⁽⁵⁾		<u>\$ 2,430</u>		<u>\$ 1,590</u>

⁽¹⁾ The effective portion of the cross-currency interest rate swaps was recorded to Accumulated other comprehensive (income)/loss for \$(2.8) million and \$(917,000) net of tax as of August 31, 2015 and August 31, 2014, respectively.

⁽²⁾ The Company has recorded a deferred tax liability amount with an offset to other comprehensive income of \$(1.3) million and \$(548,000) as of August 31, 2015 and August 31, 2014, respectively, related to asset positions of cross-currency interest rate swaps. However, the equity effect of this deferred tax liability is offset by the full valuation allowance provided for the net deferred tax asset recorded for this subsidiary.

⁽³⁾ The effective portion of the interest rate swaps was recorded to Accumulated other comprehensive loss for \$289,000 and \$(94,000) net of tax as of August 31, 2015 and August 31, 2014, respectively. The Company has recorded a deferred tax (liability)/asset amount with an offset to other comprehensive income of \$98,000 and \$(31,000) as of August 31, 2015 and August 31, 2014, respectively.

⁽⁴⁾ The effective portion of the cross-currency interest rate swaps was recorded to Accumulated other comprehensive (income)/loss for \$830,000 and \$0 net of tax as of August 31, 2015 and August 31, 2014, respectively. The Company has recorded a deferred

PRICESMART, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

tax asset amount with an offset to other comprehensive income - tax of \$482,000 and \$0 as of August 31, 2015 and August 31, 2014, respectively.

- (5) Derivatives listed on the above table were designated as cash flow hedging instruments.

The following table summarizes the derivatives that were settled during the twelve months ended August 31, 2015 (in thousands):

Date	Payment of Derivative Obligation	Foreign Exchange on Derivative Obligation	Recognize Settlement of Derivative Right net of Bank Fees	Swap Derivative (Gain)Loss
23-Jul-15	\$ 5,141	\$ 2,929	\$ (2,859)	\$ 50
31-Jul-15	1,343	670	(657)	11
31-Jul-15	4,029	2,011	(1,971)	21
6-Aug-15	4,944	3,181	(3,056)	70
	<u>\$ 15,457</u>	<u>\$ 8,791</u>	<u>\$ (8,543)</u>	<u>\$ 152</u> ⁽¹⁾

⁽¹⁾ Reclassified from accumulated other comprehensive income (loss) to other income (expense) for settlement of derivative instruments in the amount of \$100,000, net of tax.

Fair Value Instruments

The Company has entered into non-deliverable forward foreign-exchange contracts. These contracts are treated for accounting purposes as fair value contracts and do not qualify for derivative hedge accounting. The use of non-deliverable forward foreign-exchange contracts is intended to offset changes in cash flow attributable to currency exchange movements. These contracts are intended primarily to economically hedge exposure to U.S. dollar merchandise inventory expenditures made by the Company's international subsidiaries whose functional currency is other than the U.S. dollar.

The following table summarizes these agreements as of August 31, 2015:

Subsidiary	Dates entered into	Derivative Financial Counter-party	Derivative Financial Instrument	Notional Amount (in thousands)	Settlement Date	Effective Period of Forward
Costa Rica	31-Aug-15	Citibank, N.A.	Forward foreign exchange contracts	\$ 3,750	August 30, 2016	August 31, 2015- August 30, 2016

For the twelve-month periods ended August 31, 2015, 2014 and 2013, the Company included in its consolidated statements of income the forward derivative (gain) or loss on the non-deliverable forward foreign-exchange contracts as follows (in thousands):

Income Statement Classification	Twelve Months Ended August 31,		
	2015	2014	2013
Other income (expense), net	\$ 6,533	\$ (463)	\$ (580)

PRICESMART, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The following table summarizes the fair value of foreign currency forward contracts that do not qualify for derivative hedge accounting (in thousands):

Derivatives designated as fair value hedging instruments	August 31, 2015		August 31, 2014	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Foreign currency forward contracts	Other accrued expenses	\$ (66)	Other accrued expenses	\$ (14)
Net fair value of derivatives designated as hedging instruments that do not qualify for hedge accounting		<u>\$ (66)</u>		<u>\$ (14)</u>

NOTE 13 – RELATED-PARTY TRANSACTIONS

Use of Private Plane: From time to time members of the Company's management use private planes owned in part by La Jolla Aviation, Inc. to travel to business meetings in Latin America and the Caribbean. La Jolla Aviation, Inc. is solely owned by The Robert and Allison Price Trust, and Robert Price the Company's Chairman of the Board, is a Director and Officer of La Jolla Aviation, Inc. Under the "original use agreement," if the passengers are solely Company personnel, the Company has reimbursed La Jolla Aviation for a portion of the fixed management fee and additional expenses incurred by La Jolla Aviation as a result of the hours flown, including direct charges associated with the use of the plane, landing fees, catering and international fees. If the passengers are not solely PriceSmart, Inc. personnel and if one or more of the passengers is Mr. Price or another member of the Price Group LLC (an affiliate of Mr. Price), the Company has reimbursed La Jolla Aviation for use of the aircraft based on the amounts the passengers would have paid if they had flown a commercial airline. In July 2013, the Company revised its reimbursement policy related to the use of La Jolla Aviation aircraft when such use involves travel by Mr. Price in his Company duties as Chairman of the Board and Chairman of the Company's Real Estate Committee. The Company will reimburse La Jolla Aviation for such travel at the hourly rate of the Company's private aircraft for such travel. The Company incurred expenses of approximately \$225,000, \$59,000 and \$31,000 for the years ended August 31, 2015, 2014 and 2013, respectively, for these services.

Relationship with Aseprismar: Aseprismar is a PriceSmart employee association located in Costa Rica that purchases discarded packaging materials received by the Company from incoming shipments of merchandise. The Company recorded approximately \$157,000, \$48,000 and \$42,000 in other income from the sale of packaging materials to Aseprismar for the years ended August 2015, 2014 and 2013, respectively. In addition, the Company also contracts with Aseprismar for freight transportation between the Company's Costa Rica warehouse clubs. The Company incurred approximately \$35,000, \$17,000 and \$27,000 for freight expense with Aseprismar for the years ended August 2015, 2014 and 2013.

Relationships with Edgar Zurcher: Edgar Zurcher is a director of the Company. Mr. Zurcher is a partner in a law firm that the Company utilizes in certain legal matters. The Company incurred approximately \$18,000, \$27,000 and \$14,000 in legal expenses with this firm for the years ended August 31, 2015, 2014 and 2013, respectively. Mr. Zurcher is also a director of a company that owns 40% of Payless ShoeSource Holdings, Ltd., which rents retail space from the Company. The Company has recorded approximately \$1.4 million, \$1.4 million and \$1.5 million in rental income for this space during the years ended August 31, 2015, 2014 and 2013, respectively. Additionally, Mr. Zurcher is a director of Molinos de Costa Rica S.A. The Company paid approximately \$496,000, \$461,000 and \$409,000 for products purchased from this entity during the years ended August 31, 2015, 2014 and 2013, respectively. Also, Mr. Zurcher is a director of Roma Prince S.A. PriceSmart purchased products from this entity for approximately \$1.3 million for each of the years ended August 31, 2015, 2014 and 2013.

Relationship with Gonzalo Barrutieta: Gonzalo Barrutieta is a director of the Company. Mr. Barrutieta is also a member of the Board of Directors of Office Depot Mexico, S.A. de C.V., which operates OD Panama, S.A. ("ODP"), which rents retail space from the Company. The Company has recorded approximately \$266,000, \$261,000 and \$256,000 in rental income and common area maintenance charges for this space during the years ended August 31, 2015, 2014 and 2013, respectively. Additionally, the Company sold to ODP approximately 28,000 square feet of undeveloped land, located adjacent to the Panama, Via Brasil PriceSmart location, for approximately \$2.1 million during the fiscal year ended August 31, 2011. Also, on July 15, 2011 (fiscal year 2011), the Company's joint venture Golf Park Plaza, S.A. ("GPP") and ODP entered into a 30 year operating lease, with an option to buy, for approximately 26,000 square feet of land owned by GPP. The option to purchase the land has a three-year limit beginning as of April 2013. As part of this transaction, ODP: (i) made an initial deposit to GPP in the sum of approximately \$545,000 at the time of signing the agreement; (ii) paid a second deposit of approximately \$436,000 at the time its building was completed and its store opened to the public; (iii) is currently paying monthly rent per the lease clause of the

PRICESMART, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

agreement, which is recognized on a straight line basis and (iv) will pay an additional \$109,000, less any rental payments previously applied per the lease clause, when ODP exercises its option to purchase the land. ODP opened their store in April 2013. ODP paid approximately \$106,000, \$72,000 and \$12,000 in rental payments during the fiscal years ended August 31, 2015, 2014 and 2013, respectively.

Relationships with Price Family Charitable Organizations: During the years ended August 31, 2015, 2014 and 2013, the Company sold approximately \$371,000, \$222,000 and \$189,000, respectively, of supplies to Price Philanthropies Foundation. Sherry S. Bahrambeygui, a director of the Company since November 2011, serves as Executive Vice President, Secretary and Vice Chairman of the Boards of Price Charities, fka San Diego Revitalization Corp., and Price Philanthropies Foundation. The Company also participated initially with Price Charities, a charitable non-profit public benefit corporation, in a charitable program known as “Aprender y Crecer” (“Learn and Grow”) by allowing PriceSmart members to donate money in the warehouse clubs to that program. Beginning January 1, 2015, the Aprender y Crecer program was transferred from Price Charities to Price Philanthropies Foundation. Robert Price, Chairman of the Company's Board of Directors, is the Chairman of the Board and President of Price Philanthropies Foundation and Price Charities. The Company collaborated with Price Charities, Price Philanthropies Foundation, and local charitable groups to use these donations to acquire and deliver supplies to schools in the communities surrounding PriceSmart clubs. The liability for donations received, but not yet applied to the purchase of school supplies was approximately \$36,000 as of August 31, 2015. There was no liability as of August 31, 2014.

Relationships with Mitchell G. Lynn: Mr. Lynn has been a director of the Company since November 2011. Mr. Lynn is the founder, limited partner and a general Partner of CRI 2000, LP, dba Combined Resources International (“CRI”), which designs, develops and manufactures consumer products for domestic and international wholesale distribution, primarily through warehouse clubs. The Company paid approximately \$353,000, \$157,000 and \$381,000 for products purchased from this entity during the years ended August 31, 2015, 2014 and 2013, respectively. Mr. Lynn is also a founder, limited partner and a general partner of ECR4Kids, LP (“ECR”) which designs, manufactures and sells educational/children's products to wholesale dealers. The Company paid approximately \$31,000, \$3,000 and \$16,000 for products purchased from this entity during the years ended August 31, 2015, 2014 and 2013, respectively.

Relationship with Golf Park Plaza, S.A.: Golf Park Plaza, S.A. is a real estate joint venture located in Panama entered into by the Company in 2008 (see Note 14 - Unconsolidated Affiliate). On December 12, 2013, the Company entered into a lease agreement for approximately 17,976 square feet (1,670 square meters) of land with Golf Park Plaza, S.A. upon which the Company constructed its central offices in Panama. The lease term is for 15 years with three options to renew for five years each at the Company's discretion. The monthly lease expense is approximately \$8,800. For the twelve months ended August 31, 2015 and 2014, the Company recognized rent expense of \$106,000 and \$79,000 for this lease, respectively.

Relationships with Pierre Mignault: Mr. Pierre Mignault was elected to the Board of Directors, effective August 1, 2015. Mr. Mignault has been a consultant for the Company since September 2009, serving as an independent sourcing agent with Canadian suppliers. For the twelve months ended August 31, 2015, 2014, and 2013 the Company incurred consulting expenses with Mr. Mignault of \$60,000 in each year.

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NOTE 14 – UNCONSOLIDATED AFFILIATES

The Company determines whether any of the joint ventures in which it has made investments is a Variable Interest Entity (“VIE”) at the start of each new venture and if a reconsideration event has occurred. At this time, the Company also considers whether it must consolidate a VIE and/or disclose information about its involvement in a VIE. A reporting entity must consolidate a VIE if that reporting entity has a variable interest (or combination of variable interests) that will absorb a majority of the VIE's expected losses, receive a majority of the VIE's expected residual returns, or both. A reporting entity must consider the rights and obligations conveyed by its variable interests and the relationship of its variable interests with variable interests held by other parties to determine whether its variable interests will absorb a majority of a VIE's expected losses, receive a majority of the VIE's expected residual returns, or both. The reporting entity that consolidates a VIE is called the primary beneficiary of that VIE.

In 2008, the Company entered into real estate joint ventures to jointly own and operate separate commercial retail centers adjacent to warehouse clubs in Panama (Golf Park Plaza, S.A.) and Costa Rica (Plaza Price Alajuela PPA, S.A.). Due to the initial nature of the joint ventures and the continued commitments for additional financing, the Company determined these joint ventures are VIEs. Since all rights and obligations are equally absorbed by both parties within each joint venture, the Company has determined that it is not the primary beneficiary of the VIEs and, therefore, has accounted for these entities under the equity method. Under the equity method, the Company's investments in unconsolidated affiliates are initially recorded as an investment in the stock of an investee at cost and are adjusted for the carrying amount of the investment to recognize the investor's share of the earnings or losses of the investee after the date of the initial investment.

The table below summarizes the Company's interest in these VIEs and the Company's maximum exposure to loss as a result of its involvement with these VIEs as of August 31, 2015 (in thousands):

Entity	Initial Investment	Additional Contributions	Net Loss Inception to Date	Company's Variable Interest in Entity	Commitment to Future Additional Contributions ⁽¹⁾	Company's Maximum Exposure to Loss in Entity ⁽²⁾
GolfPark Plaza, S.A.	\$ 4,616	\$ 2,283	\$ (15)	\$ 6,884	\$ 217	\$ 7,101
Plaza Price Alajuela PPA, S.A.	2,193	1,236	4	3,433	785	4,218
Total	\$ 6,809	\$ 3,519	\$ (11)	\$ 10,317	\$ 1,002	\$ 11,319

⁽¹⁾ The parties intend to seek alternate financing for the project, which could reduce the amount of investments each party would be required to provide. The parties may mutually agree on changes to the project, which could increase or decrease the amount of contributions each party is required to provide.

⁽²⁾ The maximum exposure is determined by adding the Company's variable interest in the entity and any explicit or implicit arrangements that could require the Company to provide additional financial support.

The summarized financial information of the unconsolidated affiliates is as follows (in thousands):

	August 31, 2015	August 31, 2014
Current assets	\$ 432	\$ 803
Noncurrent assets	12,157	8,900
Current liabilities	1,120	1,126
Noncurrent liabilities	11	13

	Years Ended August 31,		
	2015	2014	2013
Net income (loss)	\$ 94	\$ 18	\$ (8)

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

NOTE 15 – SEGMENTS

The Company and its subsidiaries are principally engaged in the international operation of membership shopping in 37 warehouse clubs located in 13 countries/territories that are located in Central America, the Caribbean and Colombia. In addition, the Company operates distribution centers and corporate offices in the United States. The Company has aggregated its warehouse clubs, distribution centers and corporate offices into reportable segments. The Company's reportable segments are based on management's organization of these locations into operating segments by general geographic location, used by management and the Company's chief operating decision maker in setting up management lines of responsibility, providing support services, and making operational decisions and assessments of financial performance. Segment amounts are presented after converting to U.S. dollars and consolidating eliminations. Certain revenues operating costs and inter-company charges included in the United States segment are not allocated to the segments within this presentation, as it is impractical to do so, and they appear as reconciling items to reflect the amount eliminated on consolidation of intersegment transactions.

Prior to fiscal year 2015, the Company's operating segments, were the United States, Latin American and the Caribbean. During the second quarter of fiscal year 2015, the Company created a new operating segment comprised of its Colombia Operations and separated the Colombia Operations from the Latin America Operations, renaming that segment Central America Operations. The Company has made this change as a result of the information that the Company's senior operating management regularly reviews for purposes of allocating resources and assessing performance and the growing level of investment and sales activity in Colombia. Therefore, beginning in the second quarter of fiscal year 2015, the Company has reported its financial performance based on these new segments and has retrospectively adopted this change for the disclosure of financial information presented by segment. This presentation more closely reflects the information reviewed by the Company's chief operating decision maker.

The Company has made reclassifications to the consolidated balance sheet for fiscal year 2014 (see Note 1 - Company Overview and Basis of Presentation) to conform to the presentation in fiscal year 2015. These reclassifications did not impact net income. The following tables summarize the impact of these reclassifications to the amounts reported for each segment (in thousands):

	<u>United States Operations</u>	<u>Central American Operations</u>	<u>Caribbean Operations</u>	<u>Colombia Operations</u>	<u>Total</u>
As of August 31, 2014					
Long-lived assets (other than deferred tax assets) as previously reported	\$ 16,488	\$ 234,567	\$ 108,409	\$ 130,330	\$ 489,794
Reclassifications to long-lived assets	96	2,096	—	970	3,162
Long-lived assets (other than deferred tax assets) as currently reported	<u>\$ 16,584</u>	<u>\$ 236,663</u>	<u>\$ 108,409</u>	<u>\$ 131,300</u>	<u>\$ 492,956</u>
Total assets as previously reported	\$ 91,190	\$ 457,325	\$ 223,251	\$ 168,452	\$ 940,218
Reclassifications to total assets	(15)	70	—	(2,203)	(2,148)
Total assets as currently reported	<u>\$ 91,175</u>	<u>\$ 457,395</u>	<u>\$ 223,251</u>	<u>\$ 166,249</u>	<u>\$ 938,070</u>

PRICESMART, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

	United States Operations	Central American Operations	Caribbean Operations	Colombia Operations	Reconciling Items⁽¹⁾	Total
Year ended August 31, 2015						
Revenue from external customers \$	33,320	\$ 1,625,567	\$ 821,047	\$ 322,669	\$ —	\$ 2,802,603
Intersegment revenues	1,107,592	—	5,626	—	(1,113,218)	—
Depreciation and amortization	2,733	15,115	9,605	6,992	—	34,445
Operating income	26,728	130,763	49,351	(1,488)	(58,988)	146,366
Interest income from external sources	79	811	114	54	—	1,058
Interest income from intersegment sources	3,142	282	556	—	(3,980)	—
Interest expense from external sources	5	4,147	607	1,681	—	6,440
Interest expense from intersegment sources	126	1,204	1,966	684	(3,980)	—
Provision for income taxes	15,548	24,618	6,787	613	—	47,566
Net income	11,490	102,397	41,626	(7,401)	(58,988)	89,124
Long-lived assets (other than deferred tax assets)	15,391	255,576	107,746	105,290	—	484,003
Goodwill	—	31,211	4,660	—	—	35,871
Investment in unconsolidated affiliates	—	10,317	—	—	—	10,317
Total assets	89,167	491,548	239,311	171,666	—	991,692
Capital expenditures, net	1,655	54,735	10,619	24,172	—	91,181
	United States Operations	Central American Operations	Caribbean Operations	Colombia Operations	Reconciling Items⁽¹⁾	Total
Year ended August 31, 2014						
Revenue from external customers \$	31,279	\$ 1,503,446	\$ 785,225	\$ 197,617	\$ —	\$ 2,517,567
Intersegment revenues	959,297	—	5,265	—	(964,562)	—
Depreciation and amortization	2,238	12,992	9,062	4,183	—	28,475
Operating income	22,191	119,101	45,343	4,881	(54,809)	136,707
Interest income from external sources	18	631	159	45	—	853
Interest income from intersegment sources	2,603	325	561	—	(3,489)	—
Interest expense from external sources	34	2,530	712	1,019	—	4,295
Interest expense from intersegment sources	120	1,054	2,014	301	(3,489)	—
Provision for income taxes	12,739	21,542	6,701	390	—	41,372
Net income	9,360	96,204	38,534	3,597	(54,809)	92,886
Long-lived assets (other than deferred tax assets)	16,584	236,663	108,409	131,300	—	492,956
Goodwill	—	31,383	4,725	—	—	36,108
Investment in unconsolidated affiliates	—	8,863	—	—	—	8,863
Total assets	91,175	457,395	223,251	166,249	—	938,070
Capital expenditures, net	7,627	35,802	9,534	68,177	—	121,140

PRICESMART, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

	<u>United States Operations</u>	<u>Central American Operations</u>	<u>Caribbean Operations</u>	<u>Colombia Operations</u>	<u>Reconciling Items⁽¹⁾</u>	<u>Total</u>
Year ended August 31, 2013						
Revenue from external customers \$	23,059	\$ 1,387,290	\$ 734,352	\$ 155,111	\$ —	\$ 2,299,812
Intersegment revenues	877,337	99	4,721	—	(882,157)	—
Depreciation and amortization	2,121	10,390	8,870	3,063	—	24,444
Operating income	30,701	106,837	37,667	1,688	(49,847)	127,046
Interest income from external sources	163	1,055	95	22	—	1,335
Interest income from intersegment sources	2,841	410	556	—	(3,807)	—
Interest expense from external sources	8	1,841	1,072	1,295	—	4,216
Interest expense from intersegment sources	141	403	2,605	658	(3,807)	—
Provision for income taxes	11,011	21,748	6,010	173	—	38,942
Net income	19,769	84,391	30,702	(750)	(49,847)	84,265
Long-lived assets (other than deferred tax assets)	19,213	208,248	108,852	66,440	—	402,753
Goodwill	—	31,474	4,890	—	—	36,364
Investment in unconsolidated affiliates	—	8,104	—	—	—	8,104
Total assets	103,844	420,704	203,882	97,609	—	826,039
Capital expenditures, net	3,456	40,862	7,407	18,202	—	69,927

⁽¹⁾ The reconciling items reflect the amount eliminated on consolidation of intersegment transactions.

NOTE 16 – SUBSEQUENT EVENTS

The Company has evaluated all events subsequent to the balance sheet date of August 31, 2015 through the date of issuance of these consolidated financial statements and have determined that, except as set forth below, there are no subsequent events that require disclosure.

Financing Transactions

On September 18, 2015, the Company's Costa Rica subsidiary entered into a loan agreement with Banco BAC San Jose S.A. The agreement establishes a credit facility for \$3.955 billion Colon (approximately U.S. \$7.4 million) with a fixed interest rate of 7.5% for the first two years, and from the third year on 3.0% over the rate of interest used by individual commercial banks as a basis for their lending rates as published by the Central Bank of Costa Rica. The loan term is for seven years with a twelve-month grace period on principal repayment. Monthly interest is due beginning with the first month and monthly principal payments are due after the twelve-month grace period ends. The loan was funded on September 30, 2015.

PRICESMART, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

NOTE 17 – QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

Summarized quarterly financial information for fiscal years 2015, 2014 and 2013 is as follows (in thousands, except per share data):

Fiscal Year 2015	Three Months Ended,				Year Ended,
	Nov 30, 2014	Feb 28, 2015	May 31, 2015	Aug 31, 2015	Aug 31, 2015
Total net warehouse club and export sales	644,846	738,349	684,780	686,436	2,754,411
Total cost of goods sold	547,055	631,810	587,860	586,114	2,352,839
Net income from continuing operations	20,647	24,835	21,195	22,447	89,124
Net income	20,647	24,835	21,195	22,447	89,124
Basic net income per share	0.68	0.82	0.70	0.75	2.95
Diluted net income per share	0.68	0.82	0.70	0.75	2.95

Fiscal Year 2014	Three Months Ended,				Year Ended,
	Nov 30, 2013	Feb 28, 2014	May 31, 2014	Aug 31, 2014	Aug 31, 2014
Total net warehouse club and export sales	595,415	663,931	604,462	611,785	2,475,593
Total cost of goods sold	509,728	568,075	515,930	519,931	2,113,664
Net income from continuing operations	21,432	28,278	21,320	21,856	92,886
Net income	21,432	28,278	21,320	21,856	92,886
Basic net income per share	0.71	0.93	0.70	0.73	3.07
Diluted net income per share	0.71	0.93	0.70	0.73	3.07

Fiscal Year 2013 ⁽¹⁾	Three Months Ended,				Year Ended,
	Nov 30, 2012	Feb 28, 2013	May 31, 2013	Aug 31, 2013	Aug 31, 2013
Total net warehouse club and export sales	526,672	598,178	562,039	575,436	2,262,325
Total cost of goods sold	447,779	510,711	481,634	489,304	1,929,428
Net income from continuing operations	20,005	24,882	18,539	20,839	84,265
Net income	20,005	24,882	18,539	20,839	84,265
Basic net income per share	0.66	0.82	0.61	0.69	2.78
Diluted net income per share	0.66	0.82	0.61	0.69	2.78

MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

The Company's common stock has been quoted and traded on the NASDAQ Global Select Market under the symbol "PSMT" since September 2, 1997. As of October 23, 2015, there were approximately 28,244 holders of record of the common stock.

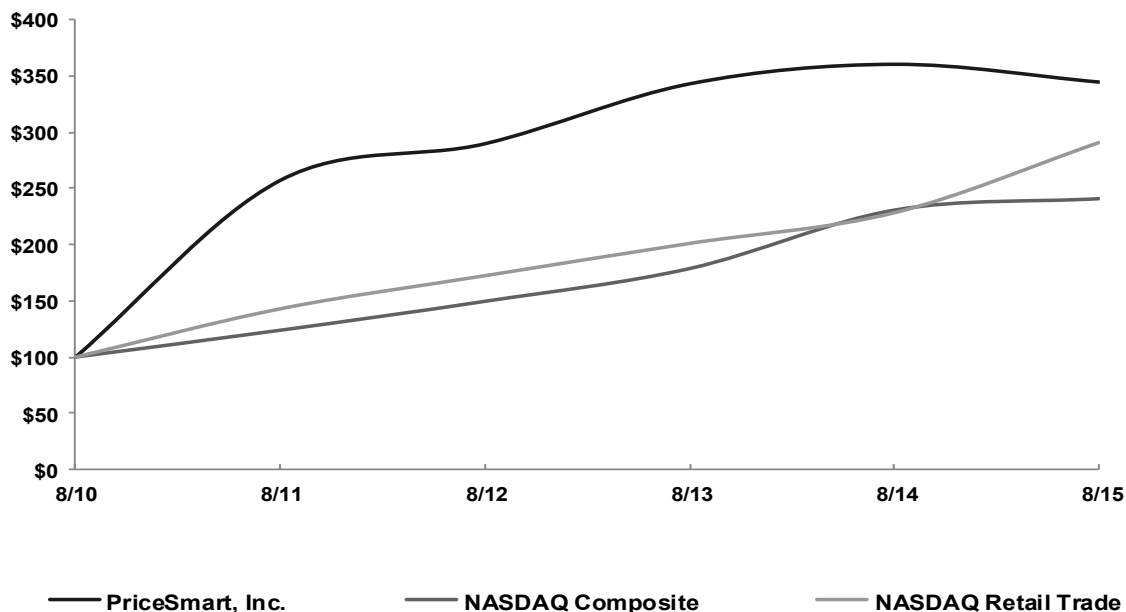
	Dates		Stock Price	
	From	To	High	Low
2015 FISCAL QUARTERS				
First Quarter	9/1/2014	11/30/2014	\$96.96	\$85.23
Second Quarter	12/1/2014	2/28/2015	93.35	79.44
Third Quarter	3/1/2015	5/31/2015	86.03	75.20
Fourth Quarter	6/1/2015	8/31/2015	102.75	81.48
2014 FISCAL QUARTERS				
First Quarter	9/1/2013	11/30/2013	\$125.39	\$85.38
Second Quarter	12/1/2013	2/28/2014	124.79	90.47
Third Quarter	3/1/2014	5/31/2014	110.91	88.00
Fourth Quarter	6/1/2014	8/31/2014	91.95	81.34

PERFORMANCE GRAPH

The graph below matches PriceSmart, Inc.'s cumulative 5-Year total shareholder return on common stock with the cumulative total returns of the NASDAQ Composite index and the NASDAQ Retail Trade index. The graph tracks the performance of a \$100 investment in our common stock and in each index (with the reinvestment of all dividends) from 8/31/2010 to 8/31/2015.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN*

Among PriceSmart, Inc., the NASDAQ Composite Index
and the NASDAQ Retail Trade Index



*\$100 invested on 8/31/10 in stock or index, including reinvestment of dividends.
Fiscal year ending August 31.

	8/10	8/11	8/12	8/13	8/14	8/15
PriceSmart, Inc.	100.00	256.98	289.53	342.75	360.08	344.29
NASDAQ Composite	100.00	123.80	149.50	178.62	230.55	240.72
NASDAQ Retail Trade	100.00	142.86	172.27	200.98	228.22	290.61

The stock price performance included in this graph is not necessarily indicative of future stock price performance.

Recent Sales of Unregistered Securities

There were no sales of unregistered securities during the year ended August 31, 2015.

Dividends

Declared	Amount	First Payment			Second Payment		
		Record Date	Date Paid	Amount	Record Date	Date Paid	Amount
2/4/15	\$ 0.70	2/13/15	2/27/15	\$ 0.35	8/14/15	8/31/15	\$ 0.35
1/23/14	\$ 0.70	2/14/14	2/28/14	\$ 0.35	8/15/14	8/29/14	\$ 0.35
11/27/12	\$ 0.60	12/10/12	12/21/12	\$ 0.30	8/15/13	8/30/13	\$ 0.30

The Company anticipates the ongoing payment of semi-annual dividends in subsequent periods, although the actual declaration of future dividends, the amount of such dividends, and the establishment of record and payment dates is subject to final determination by the Board of Directors at its discretion after its review of the Company's financial performance and anticipated capital requirements.

Repurchase of Equity Securities

Upon vesting of restricted stock awarded by the Company to employees, the Company repurchases shares and withholds the amount of the repurchase payment to cover employees' tax withholding obligations. As set forth in the table below, during fiscal year 2015, the Company repurchased a total of 52,396 shares in the indicated months. These were the only repurchases of equity securities made by the Company during fiscal year 2015. The Company does not have a stock repurchase program.

Period	(a) Total Number of Shares Purchased	(b) Average Price Paid Per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number of Shares That May Yet Be Purchased Under the Plans or Programs
September 1, 2014 - September 30, 2014	—	\$ —	—	N/A
October 1, 2014 - October 31, 2014	—	—	—	N/A
November 1, 2014 - November 30, 2014	—	—	—	N/A
December 1, 2014 - December 31, 2014	—	—	—	N/A
January 1, 2015 - January 31, 2015	49,931	88.95	—	N/A
February 1, 2015 - February 28, 2015	19	88.95	—	N/A
March 1, 2015 - March 31, 2015	689	83.33	—	N/A
April 1, 2015 - April 30, 2015	—	—	—	N/A
May 1, 2015 - May 31, 2015	—	—	—	N/A
June 1, 2015 - June 30, 2015	—	—	—	N/A
July 1, 2015 - July 31, 2015	1,757	100.26	—	N/A
August 1, 2015 - August 31, 2015	—	—	—	N/A
Total	52,396	\$ 90.37	—	N/A

DIRECTORS AND EXECUTIVE OFFICERS OF THE COMPANY

Directors

The table below indicates the name, current position with the Company and age of each director:

Name	Position	Age
Robert E. Price	Chairman of the Board	73
Sherry S. Bahrambeygui	Director	51
Gonzalo Barrutieta	Director	49
Gordon B. Hanson	Director	51
Katherine L. Hensley	Director	78
Leon C. Janks	Director	66
Jose Luis Laparte	Director, Chief Executive Officer and President	49
Pierre Mignault	Director	73
Mitchell Lynn	Director	66
Edgar Zurcher	Director	64

Information Regarding Directors:

Robert E. Price has been Chairman of the Board of Directors of the Company since July 1994 and served as Chief Executive Officer of the Company from April 2006 until July 2010. Mr. Price served as Interim Chief Executive Officer of the Company from April 2003 until April 2006 and also served as Interim President of the Company from April 2003 until October 2004. Mr. Price also served as President and Chief Executive Officer of the Company from July 1994 until January 1998. Mr. Price is President of Price Charities, fka San Diego Revitalization Corp. Mr. Price previously served as Chairman of the Board of Price Enterprises, Inc. (“PEI”) from July 1994 until November 1999 and was President and Chief Executive Officer of PEI from July 1994 until September 1997. Mr. Price was Chairman of the Board of Price/Costco, Inc. (“Price/Costco”) from October 1993 to December 1994. From 1976 to October 1993, he was Chief Executive Officer and a director of The Price Company (“TPC”). Mr. Price served as Chairman of the Board of TPC from January 1989 to October 1993, and as its President from 1976 until December 1990. Mr. Price has been a Manager of The Price Group, LLC since August 2000. Mr. Price’s significant experience as an executive and director of warehouse club merchandising businesses, as well as his extensive knowledge of the Company’s business, history and culture, contribute to the Board of Directors’ conclusion that he should serve as a director of the Company.

Sherry S. Bahrambeygui has been a director of the Company since November 2011. Ms. Bahrambeygui joined The Price Group, LLC in September 2006 and has served as a Managing Member of The Price Group, LLC since January 2007. Additionally, Ms. Bahrambeygui serves as Executive Vice President, Secretary and Vice Chairman of the Boards of Price Charities (fka San Diego Revitalization Corp.), and Price Philanthropies Foundation, and she also is the Chief Executive Officer of PS Ivanhoe, LLC, a commercial real estate company. Ms. Bahrambeygui was a licensed stockbroker and is a founding partner of the law firm of Hosey & Bahrambeygui, LLP. She has been practicing law with an emphasis in employment and business litigation since 1993 and provided consultation and legal representation to the Company from time-to-time between 2001 and 2008. Ms. Bahrambeygui was admitted in August 2015 to the Bar of the Supreme Court of the United States. Ms. Bahrambeygui’s thorough understanding of the business and operations of the Company, as well as having effectively assisted the Company on certain legal and business matters, contribute to the Board of Directors’ conclusion that she should serve as a director of the Company.

Gonzalo Barrutieta has been a director of the Company since February 2008. Mr. Barrutieta was employed in several capacities with Grupo Gigante, S.A. de C. V. from 1994 to 2006, including as Director of Real Estate and New Business Development. Since 1994, he has served as a member of the board of directors of Grupo Gigante. From 2002 through 2005, Mr. Barrutieta was a director of PriceSmart Mexico (formerly a joint venture between the Company and Grupo Gigante) and served as Chief Executive Officer of PriceSmart Mexico from 2003 to 2005. Mr. Barrutieta has also been a director of Hoteles Presidente since 2004, of Office Depot Mexico since 2005, of Radio Shack Mexico from 2005 until 2012, and has served as President and director of Operadora IPC de Mexico since 2007. Mr. Barrutieta’s experience as an executive and director of international merchandising businesses, as well as his general knowledge and understanding of the markets in Central America, contribute to the Board of Directors’ conclusion that he should serve as a director of the Company.

Gordon H. Hanson has been a director of the Company since April 2014. Mr. Hanson has been a tenured member of the economics faculty at the University of California, San Diego since 2001. At UC San Diego, Mr. Hanson has faculty appointments in the School of Global Policy and Strategy and the Department of Economics, and also directs the Center on Emerging and Pacific Economies. From 1998 to 2001, he was a tenured member of management faculty to the University of Michigan, and from 1992 to 1998, he was on the economics faculty of the University of Texas. From 2009 until 2014, he served as a director of the Washington Office on Latin America, a non-profit organization working to promote civic advancement in the region, chairing their development committee. Mr. Hanson's extensive background in the analysis of the economies of Latin America, including over two decades of experience in consulting for international financial organizations, contribute to the Board of Directors' conclusion that he should serve as director of the Company.

Katherine L. Hensley has been a director of the Company since July 1997 and served as a director of PEI from December 1994 until July 1997. She is a retired partner of the law firm of O'Melveny & Myers in Los Angeles, California. Ms. Hensley joined O'Melveny & Myers in 1978 and was a partner from 1986 to 1992. From 1994 to 2000, Ms. Hensley served as a trustee of Security First Trust, an open-end investment management company registered under the Investment Company Act of 1940. Ms. Hensley's extensive background in the legal field, including her experience in executive compensation and corporate matters, and her many years of service to the Company as a member of the Board of Directors, as well as its Audit, Finance, Compensation, Nominating and Governance Committees, contribute to the Board of Directors' conclusion that she should serve as a director of the Company.

Leon C. Janks has been a director of the Company since July 1997 and served as a director of PEI from March 1995 until July 1997. He has been a partner in the accounting firm of Green, Hasson & Janks LLP in Los Angeles, California since 1980 and serves as its Managing Partner. Mr. Janks has extensive experience in domestic and international business, serving a wide variety of clients in diverse businesses. Mr. Janks is a certified public accountant. Mr. Janks' experience, his significant accounting, financial and tax expertise and his many years of service to the Company as a member of the Board of Directors, as well as its Audit, Finance, Compensation and Executive Committees, contribute to the Board of Directors' conclusion that he should serve as a director of the Company.

Jose Luis Laparte has been a director of the Company since February 2008, Chief Executive Officer of the Company since July 2010 and President of the Company since October 2004. Mr. Laparte initially served as a consultant for the Company from December 2003 to October 2004. Prior to joining the Company as a consultant, Mr. Laparte worked for more than 14 years at Wal-Mart Stores, Inc. in Mexico and the United States in progressively responsible positions. From October 2002 through September 2003, he served as Vice President of Sam's International, where he directed and managed the company's operations, finance, sales, marketing, product development and merchandising. From May 2000 to October 2002, he served as Vice President, Wal-Mart de Mexico, responsible for sales and the expansion of the Sam's Club format in Mexico. Mr. Laparte's background and experience as an executive overseeing numerous operational aspects of the international merchandising business, including sales, product development, merchandising, marketing, finance and information technology, contribute to the Board of Directors' conclusion that he should serve as a director of the Company.

Mitchell G. Lynn has been a director of the Company since November 2011. Mr. Lynn served in several senior executive positions and as the President and a director of TPC prior to its merger in 1993 with Costco, Inc., and from 1993 until 1994, he served as an executive officer, director and member of the Executive Committee of Price/Costco. Mr. Lynn also was a member of The Price Group, LLC from 2005 to 2008. Mr. Lynn is a founding and continuing director of Bodega Latina Corporation, dba El Super, a 50-store warehouse-style grocery retailer that targets the Hispanic market in the Western United States. Mr. Lynn is also the founder, limited partner and a general partner of CRI 2000, LP, dba Combined Resources International ("CRI"), which designs, develops and manufactures consumer products under various brand names for domestic and international wholesale distribution, primarily through warehouse clubs. Mr. Lynn also is a founder, limited partner and a general partner of ECR4Kids LP ("ECR"), which designs, manufactures and sells educational/classroom products to wholesale dealers. Additionally, Mr. Lynn served as a director of United PanAm Financial Corp. from 2001 until its sale in 2011. Mr. Lynn is a certified public accountant (inactive) and a licensed real estate broker in California. Mr. Lynn's extensive prior experience in both the warehouse club business and general retailing and his significant knowledge relating to accounting and financial matters contribute to the Board of Directors' conclusion that he should serve as a director of the Company.

Pierre Mignault has been a director of the Company since August 2015. Mr. Mignault has more than 45 years' experience in the retail sector, starting his career in 1969 as a management trainee with The Bay Department Stores (Hudson's Bay Company) and working through a series of executive positions, ultimately serving as General Manager for the eastern region from 1983 until 1985. From 1985 to 1993, he served as Chief Executive Officer of Price Club Canada. Mr. Mignault served as Chief Executive Officer of Probigio Inc., a Canadian public company and the second largest food retailer in Canada, from 1993 until it was acquired by Loblaw Companies Limited in November 1998, remaining with that company through March 1999. From 2000 until September 2005, he was Chairman of Fly America Furniture, a private company. Mr. Mignault's extensive knowledge and significant experience in both the warehouse club business and general retailing contribute to the Board of Directors' conclusion that he should serve as a director of the Company.

Edgar Zurcher has been a director of the Company since October 2009 and also served as a director of the Company from November 2000 to February 2008. Mr. Zurcher has been a partner in the law firm Zurcher, Odio & Raven in Costa Rica since 1980, which the Company uses as counsel for certain legal matters. Mr. Zurcher is also President of PLP, S.A., as well as a director of Payless ShoeSource Holdings, Ltd. ("Payless Shoes"). PLP, S.A. owns 40% of Payless Shoes, which rents retail space from PriceSmart. Additionally, Mr. Zurcher is a director of Molinos de Costa Rica Pasta and Roma S.A. dba Roma Prince S.A., from which the Company purchases products to sell to its members at its warehouse clubs, and is a director of Promerica Financial Corporation, S.A. from which the Company received rental income and credit card fees in fiscal years 2007 and 2008. Mr. Zurcher's background in legal matters and his significant experience in Central America business and legal affairs contribute to the Board of Directors' conclusion that he should serve as a director of the Company.

Officers

The executive officers of the Company and their ages are as follows:

Name	Position	Age
Jose Luis Laparte	Chief Executive Officer and President and Director	49
Rodrigo Calvo	Executive Vice President – Real Estate	44
Frank Diaz	Executive Vice President, Logistics and Distribution	46
Brud E. Drachman	Executive Vice President – Construction and Facilities	60
Robert M. Gans	Executive Vice President, Secretary, General Counsel and Chief Ethics & Compliance Officer	66
John M. Heffner	Executive Vice President and Chief Financial Officer	61
John D. Hildebrandt	Executive Vice President – Operations	57
Thomas D. Martin	Executive Vice President and Chief Merchandising Officer	59
William J. Naylor	Executive Vice President and Chief Operating Officer	53
Jesus Von Chong	Executive Vice President, Foods Merchandising	49

Jose Luis Laparte has been a director of the Company since February 2008, Chief Executive Officer of the Company since July 2010 and as President of the Company since October 2004. Mr. Laparte initially served as a consultant for the Company from December 2003 to October 2004. Prior to joining the Company as a consultant, Mr. Laparte worked for more than 14 years at Wal-Mart Stores, Inc. in Mexico and the United States in progressively responsible positions. From October 2002 through September 2003, he served as Vice President of Sam's International, where he directed and managed the company's operations, finance, sales, marketing, product development and merchandising. From May 2000 to October 2002, he served as Vice President, Wal-Mart de Mexico, responsible for sales and the expansion of the Sam's Club format in Mexico.

Rodrigo Calvo has been Executive Vice President - Real Estate of the Company since June 2015. Mr. Calvo served as Senior Vice President - Real Estate of the Company from January 2009 to June 2015 and was the Company's Vice President - Real Estate from October 2004 to January 2009. From 2001 to 2004 Mr. Calvo worked in the real estate development business in Central America, and from 1994 to 1997 in engineering and construction.

Frank Diaz has been Executive Vice President – Logistics and Distribution since November 2015. Mr. Diaz served as Senior Vice President – Logistics and Distribution from February 2010 to October 2015 and was the Company's Vice President - Logistics and Distribution from September 2008 to February 2010. Prior to joining the Company, Mr. Diaz worked more than

20 years in progressively responsible positions in the areas of logistics operations, strategic planning, commercial development and customer experience with top-tier logistics companies including United Parcel Service, Federal Express and DHL.

Brud E. Drachman has been Executive Vice President - Construction and Facilities since August 2013, was Executive Vice President-Construction Management of the Company from November 2005 until July 2013, served as Executive Vice President-Real Estate and Construction of the Company from February 2005 through October 2005 and as Executive Vice President-Construction and Private Label Merchandising from November 2004 until January 2005. Mr. Drachman served as Executive Vice President- Real Estate and Construction of the Company from November 2002 until October 2004 and served as Senior Vice President-Real Estate and Construction of the Company from August 1998 to October 2002. Mr. Drachman previously served as Vice President-Real Estate and Construction at PEI from August 1994 to August 1997. Prior to joining PEI in 1994, Mr. Drachman served as Project Manager at TPC beginning in 1987.

Robert M. Gans has been Executive Vice President, General Counsel and Secretary of the Company since August 1997 and Chief Ethics and Compliance Officer since January 2014, and was Executive Vice President and General Counsel of PEI from October 1994 until July 1997. Mr. Gans graduated from the University of California, Los Angeles School of Law in 1975 and actively practiced law in private practice from 1975 until 1994. From 1988 until October 1994, Mr. Gans was the senior member of the law firm of Gans, Blackmar & Stevens, A.P.C., of San Diego, California.

John M. Heffner has been Executive Vice President and Chief Financial Officer of the Company since January 2004, after having served as a consultant to the Company on financial matters from September 2003 through December 2003. From February 2000 until August 2003, Mr. Heffner was Vice President of Finance and Chief Financial Officer of Kyocera Wireless Corp. Mr. Heffner's previous professional experience was with Digital Equipment Corporation, where he held a variety of financial management roles over a 20-year period, and with QUALCOMM Incorporated, where he was a Vice President of Finance from July 1998 until February 2000.

John D. Hildebrandt has been Executive Vice President-Operations of the Company since February 2010. Mr. Hildebrandt served as Executive Vice President-Central America and Trinidad Operations from March 2009 through January 2010, as Executive Vice President-Central America Operations from August 2003 until February 2009, as Executive Vice President-Caribbean and Asia Operations from July 2001 until July 2003 and as Senior Vice President of the Company from September 2000 until July 2001. Mr. Hildebrandt previously served as Vice President of the Company from September 1998 until August 2000, overseeing operations in Central America. Mr. Hildebrandt served as the Company's Country Manager in the Philippines and Panama from August 1997 until August 1998, and as PEI's Country Manager in the Philippines and Panama from 1996 until the Company was spun off from PEI in August 1997. Prior to joining PEI as Country Manager in 1996, Mr. Hildebrandt was a Senior Operations Manager of Price/Costco from 1994 through 1996, and served in various management roles for TPC beginning in 1979.

Thomas D. Martin has been Executive Vice President and Chief Merchandising Officer since November 2011. He served as Executive Vice President-Merchandising of the Company from October 1998 until November 2011 and as Senior Vice President of the Company from August 1997 to September 1998. Mr. Martin previously served as Vice President of PEI from August 1994 until July 1997, directing merchandising strategies and product sourcing for its international merchandising business, in addition to managing its trading company activities. Prior to joining PEI as Vice President in August 1994, Mr. Martin served as Vice President of Price/Costco from October 1993 to December 1994 and served in various management roles for TPC.

William J. Naylor has been Executive Vice President and Chief Operating Officer of the Company since January 2002. Mr. Naylor served as Executive Vice President-Merchandising of the Company from July 2001 until January 2002 and as Senior Vice President of the Company from March 1998 until July 2001. From September 1995 through February 1998, Mr. Naylor was Managing Director for the Company's licensee warehouse club operation in Indonesia. Prior to joining the Company, Mr. Naylor was a General Manager for Price/Costco and served in various management roles for TPC.

Jesus Von Chong has been Executive Vice President – Foods Merchandising since November 2015. He served as Senior Vice President of Merchandising for Central America beginning in 2003, added Colombia to his responsibilities in March 2011 and the Caribbean Region in April 2015. He served as a Regional Merchandising Director for Panama, Costa Rica and Dominican Republic in 2000. He was first employed by the Company as a Buyer in the Company's operations in Panama in 1996. Mr. Von Chong progressed to Head Buyer in 1998, Warehouse Manager for Via Brasil Operations in 1999 and to Panama's Country Manager in 2000.

ADDITIONAL INFORMATION

Corporate Offices

9740 Scranton Road
San Diego, CA 92121
(858) 404-8800

Stock Exchange Listing

NASDAQ Global Select Market
Stock Symbol: PSMT

Annual Meeting

Wednesday, February 3, 2016 at 10:00 AM
PriceSmart, Inc. Corporate Headquarters
9740 Scranton Road
San Diego, CA 92121

Transfer Agent

Computershare Shareowner Services LLC
480 Washington Blvd.
Jersey City, NJ 07310
Telephone: (888) 867-6003
TDD for Hearing Impaired: (800) 952-9245
Outside U.S.: (201) 680-6578

Independent Registered Public Accounting Firm

Ernst & Young LLP
4370 La Jolla Village Drive, Suite 500
San Diego, CA 92122

PriceSmart's annual reports to the Securities and Exchange Commission on Form 10-K, as amended, and any quarterly reports on Form 10-Q, as amended, will be provided free of charge upon written request to Investor Relations, PriceSmart, Inc., 9740 Scranton Road., San Diego, CA 92121. Internet users can access PriceSmart's web site at <http://www.pricemart.com>.

DIRECTORS & OFFICERS OF PRICESMART, INC.

Robert E. Price	Chairman of the Board
Sherry Bahrambeygui	Director
Gonzalo Barrutieta	Director
Gordon Hanson	Director
Katherine Hensley	Director
Leon Janks	Director
Jose Luis Laparte	Director
Mitch Lynn	Director
Pierre Mignault	Director
Edgar Zurcher	Director
Jose Luis Laparte	Chief Executive Officer & President
Rodrigo Calvo	Executive Vice President, Real Estate
Frank Diaz	Executive Vice President, Logistics and Distribution
Brud E. Drachman	Executive Vice President, Construction & Facilities
Robert M. Gans	Executive Vice President, Secretary & General Counsel
John M. Heffner	Executive Vice President & Chief Financial Officer
John D. Hildebrandt	Executive Vice President, Operations
Thomas D. Martin	Executive Vice President & Chief Merchandising Officer
William J. Naylor	Executive Vice President & Chief Operating Officer
Jesus Von Chong	Executive Vice President, Foods Merchandising
Catherine D. Alvarez-Weeks	Senior Vice President, International Controller
Fabiola Burbano-Marin	Senior Vice President, Global Human Resources
Bob Coulson	Senior Vice President, Merchandising – U.S. Softlines
J. Ernesto Grijalva	Senior Vice President, Latin America & Caribbean Legal Affairs
Glenn E. Harmon	Senior Vice President, Food Service, Bakery, Photo
Jose Lopez	Senior Vice President, Merchandising – Fresh Foods
Jose Luis Marin	Senior Vice President, Marketing & Member Services
Michael L. McCleary	Senior Vice President, Corporate Controller
Atul Patel	Senior Vice President, Treasurer
Laura Santana	Senior Vice President, Information Technology
Chris Souhrada	Senior Vice President, Country Regional/Operations – El Salvador/Guatemala/Honduras
Manrique Ugalde	Senior Vice President, Operations – South America
J. Phillip Wilson	Senior Vice President, Merchandising – U.S. Hardlines
Benjamin M. Woods	Senior Vice President, Distribution
Ana Luisa Bianchi	Vice President, Merchandising – Colombia
Linda C. Brickson	Vice President, U.S. Controller
Guadalupe Cefalu	Vice President, Financial Planning & Analysis
Paul Kovaleski	Vice President, Country Regional/Operations – CR/Nicaragua/Panama
Jonathan Mendoza	Vice President, Construction and Facilities
Michelle Obediente	Vice President, Merchandising – Regional Foods
Kelly Orme	Vice President, Merchandising
Eric Torres	Vice President, Facility Maintenance and Equipment
Pedro Vera	Vice President, Country Regional/Operations – DR/Aruba/Jamaica/St. Thomas

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